

السوق المالية

Weekend

FINANCIAL TIMES

Weekend FT
The Peru siege -
an insider's story

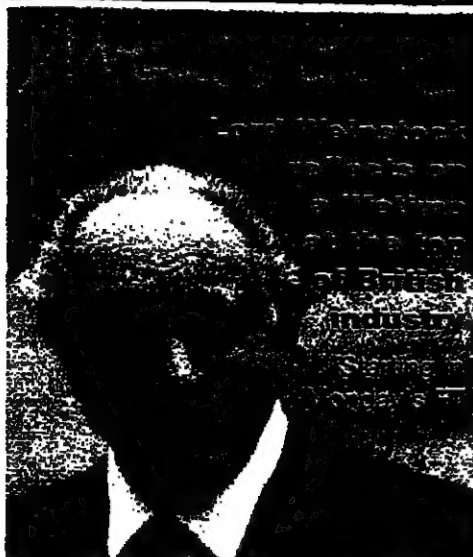
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Sport: 1996
magic moments

SECTION II

World Business Newspaper <http://www.ft.com>

WEEKEND DECEMBER 28/DECEMBER 29 1996



Stock write-down by Sega prompts profits warning

Japanese electronic games group Sega Enterprises cut its forecast of annual profits to ¥11bn (\$86.5m) from ¥12bn after announcing a ¥30bn extraordinary loss on its US business and massive stock write-downs of 16-bit game consoles. These have been hit by the popularity of 32-bit and 64-bit systems. The Tokyo Stock Exchange earlier suspended Sega's shares after they fell by ¥50 to ¥4,050. Page 24

Clashes in Belgrade over poll results: Serbian police attacked anti-government protesters in Belgrade after international observers ruled that the opposition had been robbed of victory in recent elections. Page 2

Guatemala's guerrilla war ending: The Guatemalan government is due tomorrow to sign a peace treaty with leftwing guerrilla leaders, ending the last and longest-running of Central America's ideological conflicts. Page 8

Creditanstalt sale delayed: Austria's finance ministry delayed the sale of Creditanstalt, the country's second biggest bank, and asked bidders to improve their offers. Page 2

Call to widen South Korean strikes: South Korea's main trade union group called for a general strike to last until Wednesday as industrial action intensified against the country's new labour laws. Page 24

FTSE index slips from intra-day high
An attempt by the London market to end Christmas week at a closing peak failed at the final hurdle yesterday, but not before the FTSE 100 index had established an intra-day high of 4,102.9. The Footsie ended the truncated trading session, which finished at 12.30pm, at 4,091.0, 1.5 points easier on the day and 18.4 up on the week. Page 21: World stocks, Page 19: Markets, Weekend FT Page XX

Costain's £52m disposal plan: Beleaguered construction group Costain is to sell its remaining US coal and London property interests for £52m (\$86.8m). Page 4

Nikko bails out affiliates: Japanese stockbroker Nikko Securities is to inject ¥147.5bn (\$1.28bn) into three affiliates to enable them to write off property-related loans. Page 6

Cricket: Zimbabwe were 93 for two at the end of a rain-shortened second day in the second and final test against England in Harare. Earlier England had been bowled out for 158. The first match was drawn.

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Companies in this issue

Arthur Shaw	4	NSM	4
Burton Int'l Dev'ts	4	Nationwide Res Prop	4
Burnfield	4	Nikko Securities	6
CallEnergy	4	Nintendo	24
Chaz Gerard	4	Northern Electric	4
Concord Pacific Hlds	4	Oxford Properties	4
Costain	4	POVSA	4
Deutsche Bank	4	Recreation Mining	4
Entergy	4	SAS	4
Fairway	4	Sega Enterprises	24
GEI	4	Sierra Pacific	24
Georgia-Pacific	4	Sony	4
Grafton Group	4	Superframe	4
Hilldown	4	Tak Cheung Holdings	4
Hutchison Whampoa	4	TeleWest	4
Itchu	4	Timken	4
Johnson Fry	4	Unocal	4
Laporte	4	Varensbank	4
Mercedes-Benz	4	Via	4
	4	Wellington Holdings	4

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Yen at 3½-year low against \$

Pound hits highest level since being ousted from the ERM

By Simon Kuper

The yen touched three-and-a-half-year lows against the dollar yesterday, hit by the slide in Tokyo stock prices brought on this week by worries over Japan's austere 1997 budget.

On a day of sharp movements in the currency markets, the pound soared to its highest level since it was ejected from the European exchange rate mechanism on "Black Wednesday" in September 1992, and the Swiss franc fell to a 37-month low against the D-Mark.

Foreign exchange traders said yesterday's changes were exaggerated by thin volumes, with many dealers on holiday. The yen fell because equity and currency traders feared that the budget approved by the Japanese cabinet on Wednesday could stall the country's tentative economic recovery.

Chase Investment Bank said:

"The weakness of the Japanese stock market does emphasise the limited options available to Japanese investors, and capital outflows can be expected to continue." Most economists expect Japanese interest rates to remain low.

The yen closed at ¥115.4 against the dollar in London, ¥0.5 down on the day and ¥1.5 below its close on Tuesday.

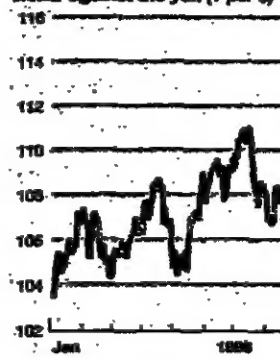
The pound, driven upwards by expectations that UK interest rates would rise next month, gained 2.6 pence against the D-Mark and 1.9 cents against the dollar to close in London at DM2.631 and \$1.692, respectively.

The Swiss franc fell from SFR0.665 to the D-Mark to SFR0.667, its lowest level against the German currency since November 1993, on expectations that the Swiss National Bank would maintain its loose monetary policy.

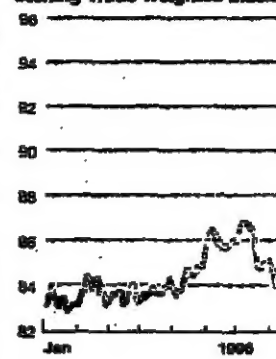
The moves completed an unusual year in the foreign exchange markets. The yen

The big currency surprises of 1996

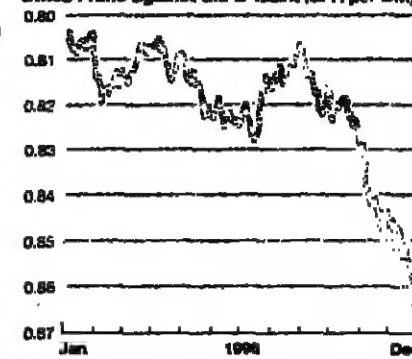
Dollar against the yen (¥ per \$)



Sterling Trade Weighted Index



Swiss Franc against the D-Mark (SFR per DM)



and the Swiss franc, currencies that have traditionally tended to appreciate, have fallen, while sterling, whose value has traditionally tended to decline, has appreciated 13 per cent since early August.

The yen has dropped ¥12.2 against the dollar since the start of the year, and the Swiss franc has lost almost 10 per cent of its value against the D-Mark. By contrast, the pound has gained 40.9 pence against the D-Mark and 14

cents against the dollar. The Japanese and Swiss currencies have suffered because their central banks have kept interest rates low in a bid to stimulate weak economies.

Currency strategists had expected the Swiss franc to rise as German investors in particular sought a haven from the uncertainties of European monetary union.

The flight from the currencies expected to join Emu has benefited sterling most, as

investors sought the high yields available on pound deposits.

The UK is at a stronger stage of the economic cycle than most other leading economies. Its interest rates are higher than most of its rivals, and expected to rise sooner. Most UK economists predict that Mr Kenneth Clarke, the chancellor, will raise base rates from their present level of 6 per cent after his January 15 monetary meeting with Mr

Eddie George, the governor of the Bank of England.

Speculation that UK rates would rise was heightened on Monday by the release of the minutes of the October 30 monetary meeting. These showed that Mr George thought the 0.25 percentage point rise agreed then might be insufficient to bring down inflation to the government's target of 2.5 per cent.

Editorial Comment, Page 8

Japan budget splits ministers

By William Dawkins in Tokyo

A fierce debate broke out in the Japanese government yesterday over the wisdom of tightening fiscal policy for the first time this decade, as proposed in the recently adopted 1997 budget.

Mr Shinji Sato, the minister of international trade and industry, yesterday admitted: "I am worried about the economy after April", when a temporary reduction in income tax ends and sales tax will rise.

Personal tax rises will cut disposable income by almost 2 per cent, private sector economists estimate, thus wiping out the current feeble growth rate in private consumption, which accounts for 60 per cent

of the Japanese economy. Mr Hiroshi Mitsuoka, the finance minister, dismissed such criticism as one-sided and warned that government debt, already among the highest in the industrialised world, would continue to rise unless fiscal policy was tightened. "Reckless issuance of deficit-covering bonds will lead to vicious inflation", he said.

The MITI minister's concerns are shared by the capital markets. Share prices fell briefly to a one-year low after the budget was announced last week. The Nikkei 225 index yesterday recovered by 77.46 points to close at 19,369.04, 1.6 per

Continued on Page 24
World Stocks, Page 19



South Korean workers shout anti-government slogans during a 12,000-strong rally in Seoul yesterday as a general strike was called in protest against new labour laws. Report, Page 24

Lebed calls for creation of political third force

By John Thornhill in Moscow

Mr Alexander Lebed, the Russian nationalist general, called yesterday for the creation of a third force in Russian politics to counter both old-style communists and the new "so-called democratic elite".

The combative former paratrooper general promised to forge a Russian People's Republican Party to give ordinary Russians a political voice. He was speaking to supporters at a congress of the nationalist Home and Motherland movement, which he is

Continued on Page 24

Two vie for superheroes

By Richard Waters in New York

Marvel Entertainment, one of the most illustrious names in the world of comic books, was forced into bankruptcy yesterday as a stand-off between two heavyweight US financiers turned increasingly ugly.

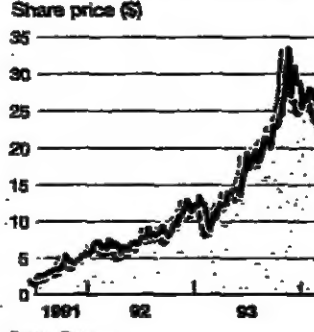
The New York company, whose cast of characters includes Spiderman and the Incredible Hulk, has for several years suffered in the face of falling comic books sales and dwindling cashflow.

Now, though, it has to contend with a struggle between the cigar-chomping financier Mr Ronald Perleman, who controls 80 per cent of the company's stock, and Mr Carl Icahn, a prominent corporate raider, who has acquired 25 per cent of Marvel's bonds.

Caught between the manoeuv

Marvel Entertainment

Share price (\$)



Mr Scott Sassa, its chairman, said Marvel would keep paying its bills, aided by a \$100m bank credit from Chase Manhattan, and would move ahead with a restructuring that would leave

Continued on Page 24

STOCK MARKET INDICES

FTSE 100	4,091.0	(-1.5)	US LUNCHTIME RATES		STERLING		DOLLAR	
Yield	3.88		Federal Funds	5 1/4%	New York lunchtime		New York lunchtime	
FTSE Euroshare 100	1,883.28	(-7.32)	3-m Treas Bill	Y13.0825%	\$	1.6917	DM	1.5575
FTSE All-Share	2,501.16	(-0.09%)	Long Bond	9 1/2%	London		FF	5.2505
Nikkei	19,369.04	(-77.46)	Yield	8.528%	\$	1.6915 (1.6725)	Y	115.775
New York Composite	1,133.4	(-1.64)			DM	2.6308 (2.601)	London	
Dow Jones Ind Ave	6,390.52				FF	5.2525 (5.2505)	DM	1.5582 (1.5564)
S&P Composite	757.46	(-1.64)			Y	115.775 (1.3467)	FF	5.245
							Y	115.43 (114.62)

CONTENTS

News	1	Gold Markets	7	Share Information	22,23
International News	2,3	Equity Options	19	World Commodities	7
UK News	3	London SE	21	Wall Street	18,19
Weather	24	LSE Outlook	20	Business	18,19
Law	24	Managed Funds	12-17	Weekend FT	
Features		Money Markets	10	Section II	
Leader Page	8	Foreign Exchanges	10		

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NEWS: INTERNATIONAL

TV group changes sides to score victory

A last-minute goal appears to have decided the outcome of a bitter contest between the Madrid government and Spain's biggest media group for leadership in satellite television broadcasting to the Spanish-speaking world.

It was scored by Antena Tres, a commercial station which this year bought the rights to televise most of Spain's first division clubs, against Telefonica, the national telecoms group, and RTVE, the state-controlled television network.

Over Christmas, it emerged that Antena Tres had defected from the Telefonica team, which planned to begin offering satellite services in March, and joined the opposing

Spanish broadcaster takes its soccer rights to opposing company in bid to clinch satellite deal, says Tom Burns

side, Sogecable, a digital TV company managed by Prisa, publisher of the best-selling national newspaper El Pais, which is due to start broadcasting in the new year.

The switch by Antena Tres almost certainly hands the Spanish digital TV trophy to Sogecable because pay-per-view football is understood to be the cornerstone of the satellite broadcasting business in Spain. Without top soccer broadcasting rights, the Telefonica-led venture is unlikely to be viable.

The defection is an embarrassment for the government of prime minister Mr José María Aznar which unveiled an ambitious plan to deliver digital broadcasting to the Spanish-speaking world when it took office in May. It played a key role in lining up Telefonica, RTVE, and Hispasat, the state-owned satellite infrastructure, behind the venture and bringing aboard Antena Tres.

It is also a big blow for Telefonica, due to be fully privatised early next year with the sale of the

state's remaining 21 per cent stake. Telefonica, which has a 35 per cent stake and management control in the planned satellite broadcaster, was to have provided technology to the venture.

RTVE, which had a 17 per cent stake in the digital venture, the same as Antena Tres had, said it would reassess its agreement with Telefonica. Under the government's original blueprint, RTVE was to have been the leading partner in the satellite initiative but it relinquished this role to Telefonica

because its conventional broadcasting business is deeply in debt.

Three months ago Sogecable, which already runs Canal Plus, a pay TV channel, which is 25 per cent owned by Canal Plus France, started legal action against Antena Tres alleging it had used unfair means to break its virtual monopoly over television football.

Sogecable and Antena Tres have now pooled their football rights in a single company and Antena Tres is to become a minority shareholder in Sogecable's digital TV venture. Within a month Sogecable will be delivering around 20 channels beamed from France's Astra satellite and using a decoder developed by Canal Plus France.

González team decides opposition was robbed of seats

Clashes in Belgrade poll protest

By Paul Wood in Belgrade and agencies

Serbian police last night attacked anti-government protesters in the capital, Belgrade, after international observers ruled that the opposition had been robbed of victory in recent elections.

The announcement, relayed by loudspeaker to about 80,000 opposition supporters in the city centre, at first sparked scenes of joy. They cheered the news, and jeered the hundreds of riot police blocking their way.

But later witnesses said police, some in plain clothes, used batons in street fights with the protesters. At least one person was beaten unconscious, and a man who said he was walking home from a medical conference received an open head-wound, eyewitnesses said.

Two foreign television crews were also attacked and had cameras smashed.

Demonstrators had gathered for their 38th day of protests since their victories over the ruling Socialist party (SPS) were annulled by the courts.

As they gathered in a city square, Mr Felipe González, the former Spanish premier, was announcing in Geneva the verdict of the observer

team from the Organisation for Security and Co-operation in Europe which he led. He said the Serbian authorities should initiate "real democracy" and accept opposition victories in 22 disputed municipal areas - including the nine that make up Belgrade. All sides should "comply with the will expressed at the polls by the citizens".

An opposition spokesman, Mr Slobodan Vukosavljević, welcomed the decision by the observers, who were dispatched to Serbia last week at the invitation of President Slobodan Milosevic. But he said the verdict was unlikely to sway the president.

Government officials emphasised recently that the OSCE recommendation would be non-binding. Yugoslav's deputy foreign minister, Mr Zivorad Jovanović, said the elections were "an internal matter".

Western observers said the Serbian leader had made a tactical blunder, which would increase international pressure on him to back down. But opposition officials said Mr Milosevic was no longer listening to condemnation from abroad, and was preparing a crackdown.

The interior ministry has expressed concern about maintaining free traffic flows in Belgrade, regarded by the opposition as a pretext for curbing anti-government protests. Students and members of Belgrade's disaffected middle class, who have turned out in their tens of thousands for the marches, are keen to avoid conflict with the police.

Weeks of processions through the centre of Belgrade ended on Thursday when police equipped with body armour, helmets, shields and truncheons forced demonstrators into a pedestrian square.

They also curtailed Friday's celebrations, preventing students from marching through the streets. The students walked in circles pretending to be prisoners, blowing trumpets and whistles and chanting anti-Milosevic slogans as people began arriving for the main opposition demonstration scheduled for later in the day.

Clashes on Tuesday, when pro- and anti-Milosevic factions fought running skirmishes in the capital before police waded in to break them up, left at least 55 injured.

The US, Britain, Germany, France and Italy have criticised Mr Milosevic and the SPS.



Student demonstrators taunt riot police during a demonstration in central Belgrade against election fraud. Violent clashes were reported later.

Austria reopens bidding for bank

By Caroline Southey in Brussels and agencies

Austria's finance ministry yesterday delayed the sale of Creditanstalt, the country's second biggest bank, reopening the tender to allow bidders to improve their offers.

It set a new deadline of January 10 for bids and made public the offers of two of the three bidders.

Mr Viktor Klima, the finance minister, who is under pressure to halt a political row over the sale, said this week he would press ahead with a decision on a buyer by the end of this year only if he could do so without endangering the coalition government.

The ministry said yesterday Bank Austria, the country's biggest bank, had offered Sch838 (\$76) per share for the government's 70 per cent stake in the flag-ship bank - a total of Sch15.7bn. A consortium led by Italian-controlled insurer EA-Generali had offered Sch730 per share for 14.7m shares and Sch580 for the remaining 5.2m shares, which it planned to float on the stock market.

The bid by Austrian entrepreneur Mr Karl Wlaschek was not disclosed. It has been estimated at around Sch15bn.

The announcement came shortly after the European Commission said it had asked Austria for details of the Bank Austria bid.

Mr Klima is the third finance minister to attempt the sale in the past six years. Optimism that a deal was about to be clinched has faded in recent weeks as Bank Austria's bid has become mired in political controversy, threatening to bring down the government.

According to a Brussels official, Mr Karel Van Miert, the competition commissioner, requested more details about the bid last week. "We want to ensure everything conforms with EU state aid and competition rules," he said, adding that the approach was "routine".

The Bank Austria bid has fallen foul of the conservative People's party - coalition partner of Mr Klima's Social Democrats - backed by the main opposition Freedom party. They argue that the offer means renationalisation by the back door, since the majority of Bank Austria's shares are controlled by the public sector.

A merger of the two banks would create one ranking about 30th in size in Europe and with a 25 per cent share of the Austrian market. The deal would give Bank Austria a near-monopoly in areas such as domestic investment banking and export finance.

Italian business bars door to Mafia

Fledgling companies are being nurtured inside 'fortresses' in parts of the south

Small businesses are being set up and nurtured inside "fortresses" in parts of southern Italy to protect them from organised crime.

Inside, they are like most other European business innovation centres (BICs). There are "incubator units" for small companies with centralised advisory, office and support services. Unlike their counterparts in other countries, however, the BICs in Catania in Sicily, Pozzuoli in Naples and Mariglianese in Campania are protected by security fences, electronically controlled gates and closed circuit television.

"The Mafia always asks businesses to pay a tax," says Mr Giorgio Chimenti, chief executive of the Catania BIC. "If they do not, the business is attacked. The weapons of the Mafia are fire and the bomb. By growing small businesses inside a protected area we can help avoid this problem."

Applicants for factory space are screened carefully to prevent criminals setting up businesses inside the security ring.

One suspect company has been evicted from the Sicilian fortress, says Mr Romualdo Volpi, chief executive of Promozione e Sviluppo Imprenditoriale (SPI), the finance company for small and medium-sized enterprises owned by the government-backed Iri group.

The fortresses are part of a chain of BICs and CISIs (Centri Integrati per Sviluppo Imprenditoriale - integrated centres for enterprise development) being set up by SPI throughout Italy, many of them

backed with European Union funds. Similar incubation centres were started in Trieste and Genoa seven years ago. The model is now being replicated nationally after small companies within them achieved survival rates of more than 90 per cent. The model has proved particularly useful for nurturing high technology businesses. Ten centres are open and up to 20 more are planned.

The BIC cannot protect entrepreneurs

Ian Hamilton Fazey reports on a successful and innovative campaign to keep the bad guys at bay

neurs when they go home at night, but Mr Chimenti says attitudes have changed since the days when no one in Sicily talked openly about the Mafia and most people claimed it did not even exist.

"Our policy is that if anyone comes and asks for money, we go to the police," he says. "The same will apply to entrepreneurs who set up here. In the past you needed a lot of courage to do this; in the past the Mafia was in the police and in the ranks of political leaders."

Mr Riccardo Van Den Hende, president of the association of small entrepreneurs in Mariglianese, says: "The CISI are not exposed to criminality because the criminals have too little to gain by getting at the people inside when businesses are very small. We now need to create this style of protection outside."

Companies setting up in BICs and CISIs have to promise to move out after three or five years to make room for other newcomers. Mr Van Den Hende says secure industrial estates would be just as effective for mature businesses as new ones.

He also sees BICs and CISIs playing a wider role by demonstrating that entrepreneurship pays. Many able young Italians leave the south each year to set up businesses

manager who left Rome for Naples to set up and run the Pozzuoli and Mariglianese CISIs, says SPI is looking at creating industrial estates for BIC and CISI alumni. Apart from security, he thinks such a move would encourage mutually supportive clustering of similar or related businesses, which could pool some resources and carry out joint international marketing.

Apart from the difficulty of identifying whom they should put pressure on if they cannot get inside a secure centre easily, gangsters from the Camorra - the Neapolitan equivalent of the Mafia - may have also failed to move with the times. One of the most successful new businesses in the Pozzuoli CISI is a translation, interpretation and marketing company owned and run by five young, female, unmarried linguists who met at university.

As one of them put it: "They may see us coming in and out, but they have no idea who we are and what we do. They almost certainly think we are secretaries, or perhaps researchers from the University of Naples. The idea of a business with a young woman capo is possibly beyond their imagination."

Not everyone is so concerned about crime. One Sicilian entrepreneur, who plans to start a high technology subsidiary of his 60-year-old family business in the Catania BIC, says: "Entrepreneurs have to be courageous anyway. It is all about risk wherever you do it. The real gamble is to try to develop a business here at all. Against that, the Mafia problem is exaggerated."

Mr Eduardo Vestiti, a senior SPI

OBITUARY: MICHAEL BRUNO

A driving force for financial stability

Michael Bruno, former Governor of the Bank of Israel and Chief Economist of the World Bank, died at his home in Jerusalem on December 26. He was 64.

Bruno was born in Hamburg, Germany, in 1932 and was taken to Israel at the age of one. After serving in the Israeli army, he studied mathematics and economics at King's College, Cambridge, graduating in 1956. After a few years in the Research Department of the Bank of Israel, he began graduate studies in economics at the Hebrew University, before moving to Stanford University, where he completed his PhD in two years.

From Stanford, he returned to the Bank of Israel and became Director of Research. In 1963 he

joined the faculty of the Department of Economics at the Hebrew University, of which he remained a member until his death.

Prof Bruno's early work was in trade and development, and later capital theory and growth. His interests gradually shifted to macroeconomic issues. He co-authored, with Jeffrey Sachs, one of the most influential macroeconomics books of the 1980s, *The Economics of Worldwide Inflation* (Harvard University Press, 1985).

Bruno's policy interests were reflected in his decision to begin his career at the Bank of Israel. In 1975 he served as a member of a committee on the reform of the Israeli tax system. In 1976 he became economic

policy adviser to the Israeli finance minister. From the early 1980s, with inflation rising, Bruno and others began to work on the design of a stabilisation programme. When Prime Minister Shimon Peres in 1985 decided to undertake a comprehensive stabilisation programme, he appointed a team of three insiders and two outsiders, one of them Bruno, to design the package.

Bruno was probably the dominant intellectual force in the team, which developed a heterodox programme that would start with a big cut in the budget deficit and devaluation, followed by a fixing of the exchange rate and a temporary price freeze. The programme worked. Inflation was soon down to between 20 and 30

per cent a year. In mid-1988, Bruno was appointed Governor of the Bank of Israel. By the time he left office in 1991 the inflation rate was below 20 per cent and the economy was set for the rapid growth of the 1990s.

Bruno returned to the Hebrew University in 1991, but in 1993 became Chief Economist of the World Bank, where he remained until November. He emphasised the Bank's role as a centre of knowledge and policy advice. He also argued that lending should be more selective and reward those who pursue good policies.

Michael Bruno's professional achievements were widely recognised. He was a Fellow and later President of the Econometric Society.

President of the International Economic Association, an Honorary Foreign Member of the American Academy of Arts and Sciences and an Honorary Member of the American Economic Association. He was invited to give numerous important lectures, among them the Clarendon Lectures at Oxford and the Graham Lectures at Princeton, both in 1988. He was a Visiting Professor at different times at the Massachusetts Institute of Technology, Harvard, Stockholm, and the London School of Economics.

His Clarendon Lectures reveal the strong personality, intelligence and intellectual integrity that underlie his lifetime of achievement.

Stanley Fischer

INTERNATIONAL NEWS DIGEST

Japan move in Lima siege

Japan said yesterday it was consulting other members of the Group of Seven industrialised nations on a possible international solution to the Peruvian hostage crisis.

"It is crystal clear that international society should not forgive terrorism," said Mr Yukihiko Ikeda, the Japanese foreign minister. "It is also necessary for international society to act as one to help resolve this crisis by setting free all the hostages peacefully and at an early date."

Besides other G7 members, Japan is also consulting Russia. President Boris Yeltsin proposed a joint approach, possibly involving anti-terrorist squads, in letters to the Peruvian and G7 governments earlier this week.

The situation at the besieged Japanese embassy compound in Lima was relatively unchanged yesterday, one day after the leftwing Tupac Amaru rebels released Guatemala's ambassador in what was largely seen as a gesture to press their demands for a negotiated settlement with the government.

Mr Jose María Argueta said he gained his freedom because his government has just ended a 36-year civil war with leftwing guerrillas. The Tupac Amaru rebels want freedom for jailed comrades and an eventual role in Peruvian politics. William Dawkins, Tokyo, and agencies from hostage to celebrity, Weekend FT

HK official seeks to reassure

Mr Michael Leung, head of Hong Kong's anti-corruption agency, yesterday cited personal reasons for his decision to step down in March, dismissing claims that the move is linked to the territory's transfer of sovereignty to China. The head of the Independent Commission Against Corruption (ICAC) said he had told the government three months ago and had agreed to a three-month extension of his contract to help find a replacement.

This week's announcement that Mr Leung would not remain in his post through Hong Kong's return to China next July prompted speculation that he had been pressed to resign and raised concern that other senior government officials might leave. Leadership of the ICAC is considered a highly important post because of public fears of a rise in corruption after the handover.

Mr Leung rejected claims that Mr Tung Chee-hwa, appointed this month as the territory's first post-colonial governor, had sought a change at the top of the ICAC. "This is entirely a personal decision. It is totally unrelated to anything else."

He said he had achieved his objective of increasing accountability and transparency in the commission, and expressed confidence in its ability to combat corruption. Morale was "excellent". John Ridding, Hong Kong

France curbs Iraq air role

France yesterday announced it was ending its participation in the allied air reconnaissance operation over northern Iraq after five years. A foreign office statement said France had taken the decision because a new plan of action to be put into effect by the US and Turkey, with the participation of Britain, meant the operation would no longer have a humanitarian aspect.

The statement emphasised that France would continue to supply aid to civilian populations in northern Iraq and to participate in a similar air reconnaissance operation over southern Iraq. Allied aircraft have been shielding ethnic Kurds in northern Iraq since the failed Kurdish uprising at the end of the Gulf war in 1991. David Owen, Paris

Indian rate cut in prospect

India's central bank has reacted to the country's slowing economy by clearing the way for cuts in interest rates. It has announced a 1 percentage point cut in the cash reserves ratio - the level of bank reserves required to be held on deposit with the central bank - to 10 per cent.

The central bank says the move should free up Rs42.75bn (\$1.2bn) for lending by banks. Analysts said that this, in turn, should lead to lower lending rates through increased liquidity and higher income for the banks.

The country's largest commercial bank, the State Bank of India, has indicated it will review its benchmark interest rate, the prime lending rate, around the middle of January. Tony Tassell, Bombay

Polish shipyard hopes rise

The prospects of survival for Poland's bankrupt Gdansk shipyard seemed to improve yesterday after Scholler Holdings, a German-owned company based in Cyprus, extended deadlines for the yard to find the \$100m worth of financing it needs to continue work on Scholler's order of five 49,000 dwt container ships.

Scholler has already taken delivery of three vessels in Gdansk and wants work to start on its next ship in February, with completion of the contract by the end of June 1998. The company has warned it will withdraw the order if financing is not in place in time. The order is crucial to the yard's survival as it will give the liquidators time to look for a strategic investor.

Bank Gdansk has agreed to "examine the prospects" for putting together a banking consortium for the loan. Regulations limit it to a \$30m share and finding other institutions to put up the money will not be easy. The government has said it will not provide 100 per cent guarantees. Christopher Bobinski, Warsaw

EBRD to lend Ukraine more

Credits from the European Bank for Reconstruction and Development to Ukraine are expected to increase to \$500m in 1997 from \$195m this year, Mr Yuri Poluneev, its director for Ukraine said yesterday. "In keeping with Ukraine's economic reform programme and creation of a comfortable investment climate, we could finance projects up to \$500m," he told a news conference. About 80 projects were ready for review.

He said the priorities of the bank - currently financing nuclear reactors to replace Chernobyl, hotel modernisation and construction of a new runway at Kiev's Borispol airport - were "the energy sector, development of the financial sector, the communications sector, privatisation, and food packaging in the agriculture sector".

He added that the bank would decide in the first half of 1997 whether to buy a stake in Bank Ukraina, one of the country's five largest banks. "The main goal is to give Ukrainian banks the ability to give medium- and long-term loans."

Some 50,000 miners have gone on strike in 25 mines in the Donetsk and Lugansk basins in a protest against the non-payment of around \$600m in wages.

Nigerians 'hold foreigners'

Nigerian oil workers are holding foreigners from several countries aboard a barge off the south-west coast, according to diplomats in Lagos. "The Nigerians are demanding better pay," said Mr Hermes Durado, the Philippines consul. "They have threatened violence and my nationals there are very jittery."

However, officials from Mobil, the company operating the barge 50 km off the town of Eket, said last night that contractual differences with workers had been settled, and that the dispute was over. One report indicated that two Britons had already been evacuated by helicopter. Tension between Nigerian workers and some foreign oil companies has been increasing in recent weeks, with several localised threats of strike action in support of improved pay and conditions. Anthony Goldmann, Lagos

NEWS: INTERNATIONAL

Last and longest guerrilla war ends

By Johanna Tuckman
in Guatemala City

The Guatemalan government and leftwing guerrilla leaders will tomorrow sign a peace treaty ending the last and longest-running of Central America's ideological conflicts.

For the veteran rebels, signing the treaty means accepting that 36 years of armed conflict, in which 140,000 died, have won them little. For the generals, it means recognising the staying power of the URNG guerrillas and the force of international pressure for democracy and demilitarisation.

The treaty unites 10 partial peace accords negotiated and signed over three years. The commitments made range from respecting human rights to raising government tax revenues.

With a paper peace sealed, a diplomatic offensive in search of the cash needed to implement the accords will culminate in Brussels on January 22 at a meeting of potential funders arranged by the Inter-American Development Bank.

Mr Willy Zapata, central bank president, is confident that Guatemala's historically low external debt will encourage the international

community to look favourably on assisting the peace process.

Raising tax revenues is one of the few economic commitments contained in peace accords dominated by social and political priorities. The tax take is expected to reach barely 8 per cent of gross domestic product this year, dimly below the continental average of more than 20 per cent.

The accords leave production to the private sector and dovetail with the priorities of the pro-business modernising administration of President Alvaro Arzú.

Increased investment in health, education and community development in the poorest areas mingles with projects aimed at strengthening and decentralising civilian government, professionalising the police and establishing a functional judicial system.

For many the attempt to end systematic discrimination against the Mayan Indian majority will be the most difficult to achieve, even trickier than a demilitarisation agreement accepted by military moderates.

The URNG's failure to negotiate significant reform of Guatemala's skewed land distribution, or any other

profound change in the balance of economic power, has deeply disappointed some on the left. But the guerrillas' military weakness has instilled a realism that encourages frustrated idealists to embrace the accords as they stand.

"Political and institutional changes will come before socio-economic improvements are felt by the majority," said URNG commander Pablo Monsaño, who joined the rebels when he was 15.

Mr Hugo Martí, a right-wing economist, said: "If I were a guerrilla, I would think: 36 years for this!" The softness of the agreements had calmed all but the most recalcitrant elements of the local private sector, he added.

This year, the local centre-right think tank, ASIES, estimates GDP growth of less than 2.5 per cent. Mr Pablo Martí, ASIES economist, is only cautiously optimistic about the much-trumpeted prospects for post-war private investment.

"The end of the conflict will ease the climate of instability it created, but the war has not directly obstructed economic activity since the early 1980s, and peace is just one of the elements that investors take into account," he says.



A Catholic church destroyed by Muslim rioters in Tasikmalaya. Chinese-owned shops were also targeted

Suharto plea for calm after ethnic riot

Indonesia's President Suharto yesterday appealed for tolerance after riots in a West Java town, where Muslim youths set buildings and churches ablaze, Reuters reports from Tasikmalaya.

Hundreds of troops patrolled Tasikmalaya, 200km south-east of Jakarta, after Thursday's violence, apparently sparked by a report of police

brutality towards a Muslim teacher.

The riots were the third in Indonesia this year. In October 25 churches and a temple were burned by Muslims near Surabaya in East Java, while Jakarta suffered its worst riots in two decades in July in violence triggered by political infighting.

Two people - one an

ethnic Chinese woman found in a burnt-out shop - died in the latest riot, apparently touched off by a report that police had beaten teachers from an Islamic school. Local news reports said a teacher had disciplined the son of a policeman, who summoned them for questioning.

Car showrooms, banks and stores owned by ethnic

Chinese, as well as Christian churches, were the main targets. The Indonesian Legal Aid Institute said 13 churches and seven schools had been burnt.

President Suharto said the disturbances this year should strengthen the resolve of religious people "to maintain and strengthen the nation's unity and cohesion".

Durable goods orders fall in US

By Nancy Dunne
in Washington

Weaker demand for computer parts and other electronic equipment produced an unexpected 1.6 per cent drop in US durable goods orders in November, the US commerce department said yesterday.

The news, suggesting a moderating economy, initially sent prices up on 30-year Treasury bonds with yields slipping from 6.58 per cent late on Thursday to 6.53 per cent in early trading. Analysts had expected the figures - considered an important measure of the manufacturing sector - to show a 0.5 per cent rise.

The \$2.9bn fall in new orders to \$171.8bn per the first decline since August. New orders are still 6 per cent up on November 1995.

Mr Jonathan Basile of HSBC Group, the international banking and financial services company, said the fall, while unexpected was "not really a big deal". The 9 per cent drop in electrical equipment orders accounted for the entire decline, but it could be seen as partly reversing a 17 per cent rise in October.

"The US manufacturing sector will continue to grow," said Mr Basile. However, the recent rise in the dollar could hurt durable goods exports next year.

Orders for new transportation goods decreased slightly to \$41.6bn with all component industries except aircraft and parts increasing. Transportation equipment accounts for about one-quarter of total durable goods. Mr Basile said a large aircraft order by American Airlines, not part of the November report, would positively affect December's orders.

Meanwhile, in a sign of continued strength in employment, the labour department reported that new claims for jobless benefits fell by 15,000 last week to 335,000. Analysts had expected a 5,000 decline.

China heads for fast but not so furious growth

By Tony Walker in Beijing

China's economic growth is likely to stay at about 10 per cent in 1997 while inflation hovers around this year's level of 6.5 per cent, according to western and Chinese economists.

Mr Fan Gang, director of the National Economic Research Institute of the China Reform Foundation, said the government would strive to preserve "stable economic conditions" next year in line with its aim of smoothing China's "boom and bust" economic cycles.

But Mr Fan also expected the authorities to allow a continued easing of credit restrictions in order to stimulate economic growth, which had shown signs of flagging in the first half of this year.

Both western and Chinese economists gave the government high marks for its management of the economy in 1996, especially its success in more than halving inflation from last year's 14.8 per cent.

Mr John Anderson, deputy chief representative of the International Monetary

Fund, said 1996 had been "an extremely good year" for China in which it had exceeded expectations in meeting economic targets.

This success had been reflected in the stability of the exchange rate, the build-up of foreign exchange reserves, an export performance that was stronger than expected, and continuing strong growth in savings and investment.

China had also pressed ahead with financial sector reforms, including the introduction of limited open market operations and currency

convertibility on the current account from December 1.

Mr Anderson said the IMF did not view risks for China's economy in the next 12 months as "overly large", but a possible "downside" was the continued poor performance of the state sector, which would reduce growth.

Slower growth would increase pressure on the government to take further steps to stimulate the economy, risking inflation. The IMF saw potential dangers in the fact that China is "moving back into a growth cycle".

Real estate investment, for example, was strengthening after a downturn in 1995-96. In China, real estate has been a barometer of boom and bust cycles.

Mr Pieter Bottelier, chief representative of the World Bank, expects greater emphasis in the future on productivity growth as investment slows and China's high domestic savings rates come down.

The private sector would also be required to play a greater role in financing infrastructure to overcome bottlenecks in China's econ-

omy, such as inadequate transport and a weak energy sector.

Mr Bottelier praised China's financial sector reforms, which had meant that "for the first time" since the reform process began in the late 1970s banks were beginning to behave like commercial institutions and not government fiscal agents.

Other promising developments included a record grain harvest for the second year in a row and "impressive" increases in the production of non-grain foodstuffs such as meat, poultry,

fruit and vegetables. China had also become a "very significant net food exporter".

Mr Fan of the National Economic Research Institute said a continuing build-up of inventories was casting a shadow over prospects for 1997, but stockpiles would also play a role in keeping inflation low.

The problem of bulging inventories was most acute in the automotive, housing and consumer products areas, such as TV. Economists estimate that the build-up accounted for about 1.5-2 per cent of GDP growth.

NEWS: UK

German group plans cheaper Internet lines

By Alan Cane

Deutsche Telekom, Germany's privatised national telecommunications operator, may soon offer Britain's Internet users significantly cheaper "travel" on the information superhighway.

Europe's biggest telecoms operator is considering offering the high-speed system known as Integrated Services Digital Network at about £70 (\$117) a connection, compared with the £190 to £280 typically charged by British Telecom.

ISDN lines are designed to facilitate transmission of data at much

higher speeds than is possible over conventional telephone lines. Among the services that ISDN can offer are high-quality Internet access and voice telephony, audio and video conferencing, electronic data interchange and document image processing.

Deutsche Telekom is the world's biggest operator of ISDN facilities with more than 1.3m lines installed in Germany. With the opening of its home market to full competition in 1998, it is seeking opportunities abroad to sustain and develop revenues.

While ISDN lines are used in the UK mainly by businesses, the fast-

est growing segment of the market is the "ISDN2" service, aimed at small to medium-sized businesses, branches of bigger organisations and residential users. Lower cost connections would be particularly welcome to Internet subscribers, of whom there are now 636,000 in the UK. Lower charges could have a big effect in expanding the Internet market.

BT is believed to have installed about 1m ISDN connections - three out of four of them higher capacity lines designed for bigger businesses. It estimates that one in four of its new business connections is an ISDN line and that the

ISDN business is growing at 100 per cent a year.

Deutsche Telekom heavily subsidises its ISDN connections in Germany. BT claims that £400 is the real cost of connection.

This year BT introduced a three-tier ISDN pricing strategy to make connection less of a burden for smaller companies. BT adds that while Deutsche Telekom subsidises connections, its call charges are much higher - making BT, in many cases, a more economical option.

Deutsche Telekom said this week that no decision had been made, that it had no licence to offer ISDN

in the UK and that introducing such a service would mean investment on a scale that could be inconsistent with the group's need to reduce its still considerable debt.

The group would be unlikely to encounter difficulties in securing a full operator's licence in the UK, because it is the most open of the world's big telecoms markets. Mercury Communications and Colt already offer ISDN services and a number of cable television operators, including Nynex CableComms, Diamond Cable and TeleWest, either offer or are planning to offer basic ISDN services at prices below BT's.

Minister claims EU talks on hold until election

By George Parker,
Political Correspondent

Serious negotiations on the future of the European Union have been put on hold until after the general election, Mr Malcolm Rifkind, the foreign secretary, claimed yesterday.

Mr Rifkind said other member states were delaying detailed talks on a successor to the Maastricht treaty in the hope that the opposition Labour party would win the general election.

His comments were seized on by Mr Robin Cook, Labour's foreign affairs spokesman, who said Mr Rifkind had admitted the ruling Conservatives were unable to work with the UK's European partners.

"He has shown why the Conservatives must not be re-elected," Mr Cook said. "By his own admission, the [Conservatives] cannot get an agreement in Europe."

Mr Rifkind, speaking on the BBC's Today radio programme, said the government would sign up to further EU integration at the intergovernmental conference, while the Conservatives remained strongly opposed.

"I don't expect the negotiating to become really serious until after our election

on the issues where there is a difference between ourselves and the Labour party," he said. "Obviously what other European governments are waiting to see is, if there was a change of government in this country, then some of the demands from Brussels would simply fall into their lap. They would not need to negotiate."

"So obviously they will wait to see the outcome of the general election."

European leaders decided at the Dublin summit this month to defer decisions on more controversial aspects of the new treaty - dubbed Maastricht II - until 1997.

Mr Cook denied Labour would surrender British interests in IGC negotiations.

The IGC could be concluded by the Amsterdam summit next June, which takes place at least one month after the latest possible date for the general election, but many believe negotiations could drag on until the autumn.

Meanwhile, Mr Rifkind accepted there remained a "tremendous" political will, particularly in Germany and France, to achieve monetary union but stressed it still depended on the economic convergence criteria being met.

Bid advisers told to be more open

The Takeover Panel yesterday called for more transparency and fuller disclosure of advisers' interests after rebuking investment bank Barclays de Zoete Wedd for withholding information about fees earned defending Northern Electric against a £782m hostile bid from CalEnergy of the US.

The UK's non-statutory takeover regulator, which has launched an investigation into BZW's fee arrangements with Northern, is expected to recommend a system of "accelerated disclosure" surrounding fees and share purchases made during contested takeovers.

The move was prompted by concern that BZW failed to inform the panel, while discussing share purchases in the regional electricity company, that it stood to receive a £250,000 discretionary performance-related fee from the bid.

CalEnergy, the US power group, subsequently won an extension to the bid timetable and yesterday declared its 650p-a-share offer unconditional.

Mr Alistair Defriez, director-general of the Takeover Panel, said: "We are sending out a message to the City that when advisers want to clear a course of action with the panel that they must err on the side of greater disclosure."

In an interview with the Financial Times, however, he declared his opposition to statutory takeover regulation and particularly any



Alistair Defriez sending out a message to the City

ban on financial advisers buying shares in target companies.

"If we ban such share purchases, it could be driven underground. There is a risk that it would simply be done by others with an association with the target company, such as suppliers or customers who would then expect a future reward," said Mr Defriez.

The panel, however, has been criticised by some corporate financiers for not stamping out the controversial practice.

The managing director of corporate finance at one London investment bank said: "I don't think it is right that advisers should buy shares in companies with the specific aim of affecting the outcome of a bid. That is up to the existing shareholders."

Mr Defriez is likely to assuage such complaints by reminding advisers when such share purchases are

permissible under the takeover code.

"Our concern in the context of the Northern-CalEnergy bid is that the purchases should be at arm's length without any inducement or financial incentive from the target company," he said.

BZW has maintained that payment of its £250,000 discretionary fee - which the panel has ordered to be withheld - was not linked to its acquisition of Northern shares last week.

Mr Defriez said that claim would be investigated in an inquiry to be completed by the end of January.

"Our main sanction is criticism. But if there is evidence that the conduct of any of the parties fell short of what would normally be expected, then there are other regulators which might wish to take it further."

He hinted that the matter could be referred to the

Securities and Investments Board, the UK financial watchdog, if serious shortcomings were discovered.

Over the past week, Mr Defriez has received a procession of advisers claiming, in the words of a spoof takeover code hanging outside his office, that "Everything done or said by the other side is tactics, whereas anything done or said by your side is in the interests of shareholders."

He shrugged off criticism of the way the battle for Northern Electric was handled, insisting that the panel's performance during the Northern dénouement had undermined the strengths in the existing regulatory system.

He maintained that no other City body could have reacted with such speed to the rapid-fire complaints and appeals by Northern and CalEnergy.

Mr Defriez, who is campaigning against European Commission proposals to harmonise takeover rules, said that if statutory regulation had been in force, Northern and CalEnergy would be bogged down in the law courts.

"We have an open and permissive system of takeover regulation. I don't want to put that in danger," he said. "It's been a very testing week but has it shown we need to dispose of the panel? Absolutely not."

Tim Burt

Plea by Northern, Page 4

UK NEWS DIGEST

Schools suffer book shortages

The exam pass rate may be rising, but standards in more than 5,000 primary and secondary schools across England have been "adversely affected" by book or equipment shortages, according to Mr Chris Woodhead, the chief inspector of schools. Figures produced by Ofsted, the government's education watchdog, show that in 1994-1995, the latest year for which statistics are available, 13 per cent of primary schools suffered from a shortage of books, 10 per cent from a shortage of equipment, and 6 per cent from a shortage of both.

For secondary schools, the figures were worse, with 23 per cent having a book shortage, 13 per cent having an equipment shortage, and 8 per cent having a shortage of both. The figures, revealed in a letter to Mr David Blunkett, the opposition Labour party's education spokesman, suggested that the shortage of books and equipment "had adversely affected the standards of lessons in 1993-1994 and 1994-1995". Mr Woodhead said. Extrapolating from the Ofsted figures, the Labour party has calculated that a total of 5,587 schools faced book and equipment shortages in 1994-1995. Simon Targett

HOUSE PRICES

Rise of 7% forecast for next year

House prices will rise on average by 7 per cent next year, well ahead of predicted general inflation, and the number of houses sold is expected to rise even faster, according to some of the biggest mortgage lenders. End of year forecasts - from the Halifax and Nationwide home loans groups and the Abbey National bank - should provide cheer for the government as it strives to boost the "feel-good factor" as the general election approaches.

Nationwide said prices since December last year had already risen on average by 8.5 per cent. Halifax, when it publishes its forecasts next Tuesday, is expected to predict a 7 per cent to 8 per cent average rise in prices next year. A separate survey of about 1,000 homeowners published today by Barclays Mortgages emphasises the extent of returning housing market confidence. Some 51 per cent of those questioned believed the value of their home would increase in the next 12 months, compared with 36 per cent at the beginning of this year. Andrew Taylor

TAXATION

144 days' work needed to pay bill

The average Briton will have to work every day from next year's day until May 24 next year in order to satisfy the taxman - one more day than last year. The annual study published today by the Adam Smith Institute, the free-market think-tank, shows the average UK employee will earn enough to pay his or her taxes within 144 days in 1997. This is about three weeks later than in 1995, when all tax bills were paid before the end of April. But it is earlier than in 1985, when taxes could not be paid until June 1. In spite of the latest increase, the UK still has one of the lightest tax burdens in Europe.

The institute calculated that of the 15 members of the European Union, only the Spanish and Portuguese will be able to pay their tax bills before the British. The average German employee will earn enough to pay his or her taxes within 154 days. But the UK compares less well with countries outside the EU, such as the US and Japan. The average Japanese worker will earn enough to pay his or her taxes by April 21. Graham Bowley

COMPANIES AND FINANCE: UK AND IRELAND

Costain £52m disposal plan wins approval

By Andrew Taylor,
Construction Correspondent

Shareholders of the beleaguered Costain construction group yesterday approved plans to sell the company's remaining US coal and London property interests for £52m.

Only a dozen shareholders, most of them protesting against the controversial Newbury bypass which Costain is building, braved the cold to attend the extraordinary meeting at the London Arena on the Isle of Dogs.

Although 400 seats were arranged on the floor of the sports hall shareholders were outnumbered by the Costain board members and security guards. They complained that the venue and timing of the meeting had been chosen to limit protests.

The sale of the US coal business and Costain's one-third share in Spitalfields, one of central London's last large development sites, was approved on a sparse show of hands.

Rencol, a privately owned US mining corporation, has agreed to pay an estimated \$34m (£20.7m) for the coal operations.

It would also assume

responsibility for \$13m of capitalised leasing obligations.

Metacorp of Malaysia, of which Intra, Costain's largest shareholder owns 23 per cent, has agreed to pay £23.4m for the Spitalfields interests.

Intra bought a 40 per cent stake in Costain this summer as part of a £73.6m rescue share issue.

Sir Christopher Benson, Costain's chairman, was criticised yesterday by shareholders for conducting a "fire sale". He said the company would continue to look for other buyers for its Spitalfields stake to see if it could obtain a higher price.

The London International Financial Futures and Options Exchange (LIFFE) last week announced that it had agreed to enter into exclusive negotiations for the acquisition and development of the Spitalfields site which is jointly owned by BICC, the engineering group, Costain and SPP Real Estate (UK).

The shareholders' greatest anger was directed at Sir Christopher and Mr Alan Lovell, Costain's chief executive, who earlier this month announced they were resigning from the group.



Gathering winter fuel: a protesting Costain shareholder braves the elements

One of the few shareholders to disclaim any involvement with the Newbury protesters demanded that they receive no compensation.

He said: "You have ruined a brilliant company. My shares are worthless. Your salaries are worth more."

Sir Christopher replied that he would receive no additional payment when he left the company on December 31. Remuneration for Mr Lovell would be based on his legal entitlement. Mr Lovell

is on a two-year contract worth £180,000 a year. He will leave as soon as a successor is in place. Sir Christopher is to be replaced as chairman by Dr Asman Firdaus Shafii, vice-chairman of Intra.

Dr Shafii was introduced to yesterday's meeting but did not speak. An opportunity to get to know protesting shareholders better may arise on January 6 when Costain holds a second extraordinary meeting to dis-

miss a technical breach of the UK Companies Act. Trading in shares in the group, which are currently suspended at 46p pending approval of the disposals, is then expected to resume.

The need for a meeting arose after net assets of the parent group of Costain fell below 50 per cent of its called up share capital.

Friends of The Earth is organising a Newbury bypass protest at the January 6 meeting.

Laporte declares intent to expand

By Michael Lindemann

Mr Jim Long, chief executive of the UK specialty chemicals company Laporte, yesterday said the group could spend more than £200m on acquisitions after it sold its European adhesives business for £110m.

"We will be in a more expansive mood next year, more on the front foot," Mr Long said. "Not only will we feel more expansive but we will have the resources to be more expansive."

Laporte's sale of the European adhesives business to Elf Atochem, a subsidiary of France's Elf Aquitaine oil group, as reported in yesterday's Financial Times, left the company free to expand its core specialty chemicals and performance materials activities, he said.

Laporte's appetite for acquisitions will be increased because the adhesives sale eliminated the company's net debt of about £110m, down from £180m earlier this year.

Mr Long said strong interest over would enable Laporte to "go north" of its past £180m debt level when making acquisitions.

The European adhesives business had been sold, Mr Long said, because with operating margins of between 8 and 9 per cent, it looked weak compared with Laporte's other divisions. Overall, Mr Long said Laporte had a operating margin of 11.9 per cent.

Laporte also said it had received "some interesting offers" for its US adhesives business. Lazard Frères, the group's advisers, were looking at options. However, the coatings operations - where Laporte is one of the top three companies worldwide - is not for sale.

The sale of Laporte's European adhesives business will result in a goodwill write-off of about £50m and a net exceptional gain of about £28m.

The shares closed up 11p at 667p.

Northern's small investors urged not to sell yet

By Simon Holberton

Small shareholders in Northern Electric, the Newcastle-based electricity company that earlier this week failed to defeat a hostile bid from CalEnergy of the US, have been urged not to accept the US independent power producer's offer for the time being.

Mr Christopher Foot Wood, head of the Northern small shareholders association, said yesterday shareholders "welcomed" the position taken by some of the institutions which were considering remaining minority shareholders.

"It's going to encourage small shareholders not to sell," said Mr Foot Wood. "It's not over yet."

Northern's board was expected to make an announcement recommending CalEnergy's offer yesterday but failed to do so. A spokesman for the company said a statement would be forthcoming shortly.

It would be unusual if the board did not recommend CalEnergy's offer now that the US independent power producer controls more than 50 per cent of the company.

Prudential Corporation, M&G, and Foreign and Colonial, control about 16 per cent of Northern. They were dogged in their support of the bid in the latter stages of the £782m bid.

One fund manager said he would wait until he had heard the board's advice before deciding the appropriate course of action. Remaining a minority shareholder would be unusual take but "in rare circumstances it might be worth being a minority".

Gartmore, a large investor, said it had accepted CalEnergy's offer only for 30,000 shares which it managed at its discretion. The group's remaining 880,000 shares were held in non-discretionary passively managed funds and had not been voted in the bid, a spokesman said.

Entergy to borrow £1.25bn

By Michael Lindemann

Entergy, the US utility, is to borrow up to £1.25bn from a consortium of international banks to finance its £1.37bn agreed bid for London Electricity.

According to the offer document published yesterday, two separate borrowing facilities will give Entergy UK - the London-based subsidiary of the US group - access to the finance. Some £1.05bn will come from a consortium of banks led by ABN Amro, Bank of Amer-

ica National Trust and Savings Association and Union Bank of Switzerland. In addition, Entergy will also be able to borrow £200m from the consortium to refinance existing working capital. The loans must be repaid by December 17, 2001. If Entergy opts to borrow the £200m it will pay back two Eurobond issues worth £200m which are otherwise repayable in 2003 and 2005 respectively.

The final element of the financing will be made up by equity worth £240m

which will be injected by Entergy.

The first closing date for the bid will be on January 17. Offer, the electricity industry regulatory body, has asked for responses by January 3 and is expected to make a recommendation to Mr Ian Lang, secretary of state for trade and industry, by January 7.

The loans are based on an undertaking by Entergy UK that the group's gearing will not exceed 65 per cent by the third anniversary of the agreement with the banks.

Fairey bid for Burnfield gets backing

By Tim Burt

Leading institutional shareholders in Burnfield, the measuring instruments maker, were yesterday said to have indicated their support for a £57.7m takeover offer from Fairey Group.

The specialist engineering company, which earlier this week increased its bid for Burnfield by 11.5 per cent,

has received "informal assurances" that Burnfield's largest investors would accept its revised offer.

Under the new offer - worth 165p a share - Burnfield shareholders would receive 26 new Fairey shares for every 92 in Burnfield. It represents a 65 per cent premium to Burnfield's closing price on December 16, the day before the launch of the

original £51.1m hostile bid. The terms were agreed at a meeting on December 24 between Charterhouse Bank, Fairey's advisers, and Merrill Lynch, acting for Burnfield.

A revised offer document is expected to be sent to Burnfield shareholders next week - but only if the group adjourns an extraordinary meeting scheduled for Mon-

day to approve its proposed £24m acquisition of LDS, a privately owned vibration equipment manufacturer.

Fairey has made clear that its offer will lapse if Burnfield proceeds with the LDS deal. However, the Burnfield board was yesterday said to be unable to recommend the revised offer because of contractual obligations involving LDS.

New issues reach for record

This year will be a hard act to follow, says Christopher Price

The last in the current round of big government privatisations led a strong new issues market in 1996 as investors and companies took confidence from the generally favourable market conditions.

Uncertainty caused by the impending general election is likely to dampen the market in 1997, although analysts expect a flutter of flotations in the first quarter if the poll is delayed until the last moment in May.

Funds raised by new issues to the stock market were at their highest level since the record set in 1994. The total reached £10.1bn, according to figures from KPMG, the accountancy firm, compared with only £2.6bn in 1995 and just short of £10.1bn in 1994. But the number of flotations on the main market in 1996, at 119, was well down on 1994's 218 and not much ahead of 1995's 88 flotations.

Much of this can be explained by the arrival of the Alternative Investment Market, the junior market established in June 1995 as an alternative place to raise capital. It attracted 128 companies in 1996, raising some £500m. Taken together, the main market and AIM raised £10.6bn, passing the total for 1994.

An upturn in corporate activity in general helped fuel the flow of new issues during 1996.

Mergers and acquisitions, share buy-backs, and special dividends all combined to free up institutional capital for other investment uses.

This was allied to a move among fund managers to seek out smaller company shares with the potential for higher growth in order

to obtain better returns. The largest money-raising issue of the year was Railtrack, the owner of the former British Railways network of tracks and stations and other infrastructure, which raised £1.9bn for the government.

The sale of British Energy, the nuclear power generator, raised £1.42bn for the government when it was floated in July.

Further privatisations of this magnitude are hard to foresee even if the Conservative party wins the forthcoming election. Since the sale of the state-owned oil, gas, telecommunications, sea, electricity, water and power generation businesses over the past 15 years, there is a lack of both financially attractive and politically palatable candidates.

Any attempt to privatise the Post Office, the BBC, London Underground or parts of the National Health Service would all be highly sensitive. Other assets, such as the Ministry of Defence married quarters estate, fetch a better price through private sale.

By far the largest private float was that of Orange, the mobile telecoms group. Its

205p share price valued the company at £2.66bn. The issue raised \$566m for British Aerospace and Hutchinson Whampoa, the group's co-owners. The shares, currently at 163p, have been denied by the fierce competition among mobile phone operators.

There were also some big issues in the hotels sector as companies took advantage of an upturn in the industry cycle. However, the rush of hotel groups to market prompted indignation among investors, resulting in either disappointing prices or cancellation of some issues in the second half of the year.

Thistle Hotels, which came to the market in October, was valued at £1.05bn, at the lower end of the company's expectations. Later that month Principal Hotels pulled its £110m float, because of investor indifference.

Most analysts agree that 1997 should prove an interesting market for new issues. "The one thing that drives new issues is certainty," says Mr Neil Austin, head of new issues at KPMG. "Investors will back an issue if they are confident of the market conditions in the weeks after the flotation."

He believes the first quarter of the new year is likely to continue in a similarly brisk vein to 1996. However, as the election draws closer, both companies and investors are likely to hold until the market outlook becomes more predictable.

Mr Austin believes it could be autumn before the market picks up again - while cautioning that much will depend on the state of global markets, in particular Wall Street.

Three flotations were pulled in early December after a sharp fall in US markets subsequently sent the London market down.

The busiest sector for new issues next year is expected to be the financial services. Five companies likely to be valued at more than £1bn are scheduled to join the stock market in 1997, although it is unclear how many, if any, will raise any new money.

The biggest float scheduled is that of the Halifax building society, which is expected to attract a valuation of about £10bn. Norwich Union, the life assurance group, could be capitalised at about £4bn. A further three building societies - Woolwich (approximately £2bn), Alliance & Leicester (£2.8bn) and Northern Rock (£1bn) - are also set to join the market.

Another potentially large flotation will be that of Cable and Wireless Communications, which was created in November from the merger of C&W's Mercury Telecoms business with Nyxer CableComms, Bell Cablemedia and Videotron, the cable operators. A flotation, possibly including a fund-raising, could value the group at more than £5m.

New issues and funds raised			
Year	Issues	Total (£m)*	Average (£m)*
1987	125	2,409	32
1988	100	1,252	19
1989	78	1,043	20
1990	98	899	22
1991	81	1,823	35
1992	64	2,250	47
1993	163	5,168	42
1994	218	10,138	53
1995	88	2,614	34
1996	119	10,100	94

*After excluding introductions and adjusting for the effect of privatisations where funds raised (CIN) were raised, and exceptional Airbus National flotation

Source: KPMG Corporate Finance

NEWS DIGEST

Subscribers to TeleWest surge

TeleWest Communications, the second largest cable company in the UK, has had a pre-Christmas surge in customers signing on for television and telecommunications services. In November, the number of new subscribers topped 25,000 in a month for the first time and it is believed that December has also reached 25,000.

The final quarter of the year is always the strongest period for signing up subscribers, but this looks like being the company's best performance so far.

The key factor in the improvement appears to have been the new combined telephone and television packages which were being offered in all TeleWest franchises by the final quarter of the year. In November Mr Stephen Davidson, TeleWest's acting chief executive, said that trials of the new subscription packages, Teleplus, had resulted in fewer disconnections, more customer satisfaction, and higher revenues per customer.

There also have been signs of improved performance at other cable companies, although the official figures for the final quarter of 1996 will not be published for some months.

Raymond Snoddy

Johnson Fry disposals

Johnson Fry is selling its housing management and insurance broking businesses for £9.35m to a newly-formed company majority-owned by management, principally Mr Owen Insley.

Mr Insley will leave the Johnson Fry board without compensation for loss of office. The 2.25m ordinary shares owned by him and his associates will be acquired by an employee share ownership scheme funded by the company at a price of £2.4m, representing 107p per share.

Savills Finance Holdings, an arm of Savills, the chartered surveyor, is participating in the buy-out. Savills will pay £1.45m in return for a 25 per cent stake in the ordinary share capital and £1.4m of preference capital in a new holding company which will buy Johnson Fry Housing and Johnson Fry Insurance Services.

Wellington makes \$8.5m buy

Wellington Holdings, which makes polymer-based products, is buying Dynamic Seals of the US for \$8.5m (\$5.1m) cash. Wellington said the Michigan-based maker of fluid power system components would complement its existing operations in the US and Canada. It offered an excellent fit of product range with minimum customer overlap.

NSM sells Clee Hill unit

NSM, the highly geared coalmining group, announced on December 23 the conditional sale of its Clee Hill plant hire subsidiary to Serial Circuit, in a deal which would cut NSM's debt by about £5m.

Earlier in the day, shares in NSM, which said it had been in discussions with its bankers "regarding both its immediate and longer-term working capital requirements", were suspended at 8p at its own request pending clarification of its financial position. It said that "a number of other significant disposals are in train". The group had gearing of 112 per cent at its March year-end.

NSM said it would receive net payments of £1.6m cash, while Serial Circuit would assume debt obligations of £3.4m. Clee Hill had a pre-tax profit of £540,000 on turnover of £3.8m for the year to March. On March 31, the net assets of Clee Hill were £3.97m.

Last month, NSM shares almost halved to 28p on the day it warned that it expected to make a loss in the half-year to September 30.

Arthur Shaw calls EGM

Arthur Shaw, the building materials manufacturer, has called an extraordinary meeting in accordance with Companies Act rules which require a meeting if net assets are half or less of called-up share capital.

The company's shares have been suspended at 8p since October 1, pending publication of the report and accounts. The board has called the EGM for February 19, by which time it also hopes to have the accounts for the year to March 31 1996 ready.

Superframe chief's share deal

Superframe, which designs and makes acrylic products, announced yesterday that Mr Andy Gilbert, chief executive, sold 445,000 shares in the company to Sagittas AG on December 20 at 10p each. The sale reduced his holding to 1.98m shares, or 24.9 per cent of the issued share capital. Sagittas increased its holding to 2m, representing 25.7 per cent. Mr Gilbert has been granted an option by Sagittas to buy up to 400,000 ordinary shares of Superframe at 15p each. Superframe shares closed unchanged at 16p yesterday.

In the six months to June, Superframe lost £167,051 before tax (profit of £41,677) on reduced turnover of £1.3m (£1.74m). The company joined the market via a placing at 50p a share in March 1996. The shares' year high is 47p, their low 15p.

Chez Gérard grants options

Three directors of Chez Gérard, the restaurant group, have been granted options, at the cost of £1, exercisable at 222p between December 11 1996 and December 11 2003. Ms Clare Whitley has been granted options on 111,500 ordinary shares of 25p, while Mr Laurence Isaacson and Mr Neville Abraham have 70,000 options each.

Grafton buys Dublin property

Grafton Group has bought an investment property in Dublin for £5.8m. The property, a hotel trading as the Rathmines Plaza Hotel, is being sold by O'Dwyer Real Estate Company on a sale-and-leaseback basis. The property is subject to a 35-year lease to O'Dwyer, which will continue to operate the hotel. The consideration is financed by a £5m non-recourse loan and £800,000 cash.

Reunion Mining in gold loan

Reunion Mining has taken a gold loan, equivalent to \$4.5m (£2.7m), from NM Rothschild & Sons for the development of the Dunrobin Gold Mine in Zambia. The loan will attract interest of about 6 per cent. Reunion will borrow a fixed amount of gold which will be sold immediately to raise cash for the mine's development. The loan will be repaid in physical gold out of production. Gold reserves at Dunrobin amount to 1.13m tonnes of ore.

Hillsdown sells cereal unit

Hillsdown Holdings is selling Barber Chestergate, a private label breakfast cereal company, to Dailycer, the UK breakfast cereal subsidiary of Bols Wessanen, the Dutch drinks group, for an undisclosed cash sum. Barber Chestergate generates about £11m sales a year. Dailycer's share of the total UK breakfast cereal market will rise from 9 to 12 per cent.

Nationwide Res placing

Nationwide Residential Properties, which is traded on AIM, plans to raise £469,019 before expenses through a placing and open offer of up to 688,365 ordinary shares. The offer is on a one-for-three basis at a price of 60p. The money will be used for diversification into financial services.

The company reported an interim pre-tax profit of £19,662 (£4,523) for the six months to September 30, on sales up from £73,161 to £101,588.

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FINANCIAL TIMES WEEKEND DECEMBER 28/DECEMBER 29 1996

1997

Happy New Year UZBEKISTAN

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COMPANIES AND FINANCE

Mercedes chief sees higher sales and profits

By Andrew Fisher
in Frankfurt

Mercedes-Benz, the car and truck subsidiary of Germany's Daimler-Benz, is on target for higher sales and profits this year and expects another strong performance in 1997, Mr Helmut Werner, chairman, said yesterday.

Turnover at Mercedes should rise from DM72bn to about DM77bn (\$49.5m), with cars accounting for nearly DM46bn, against DM40.4bn previously.

Mr Werner said the company would achieve its planned rise in profits in spite of heavy investment in new models and production facilities.

He said next year would see Mercedes advance towards its goal of becoming "the number one in the world automobile industry in terms of innovation, quality and profits". New models and efficiency programmes, especially in the European truck sector, would keep the company on track for growth.

Mercedes gave no indication of its profit figure for 1996. In 1995, net income rose 23 per cent to DM2.38bn, while the whole Daimler group made a DM5.7bn loss

after tough cost-cutting and restructuring, which mainly affected its aerospace activities. For 1996, Mr Jürgen Schrempf, Daimler's chairman, has promised a much improved result.

Mercedes' improving performance comes as a power struggle between Mr Schrempf and Mr Werner appears to be moving to a conclusion.

Mr Schrempf has made it clear he wants Daimler's main board to take direct management responsibility for cars and commercial vehicles. Mr Werner has opposed any attempt at a merger of the separately-run Mercedes operations into Daimler, whose supervisory board is due to discuss the matter on January 23.

Mr Werner's position is likely to be strengthened by Mercedes' latest performance, with worldwide car sales exceeding 640,000 units in 1996, up from 590,200 last year. More than 370,000 were sold abroad. Sales of trucks, buses and transporters rose from 320,100 units to 345,000.

Daimler's shares gained DM1.50 to DM103.70 yesterday on the Mercedes figures. Domestic car sales rose 12 per cent, to 265,000. The main contribution to car



Unexpectedly strong demand for the SLK convertible contributed to a 12 per cent increase in Mercedes' domestic car sales

sales came from the E-class model, in the middle of Mercedes' range. Demand for the SLK, the new compact convertible, was unexpectedly strong. The 1997 production

target has been increased from 35,000 to 47,000. Car sales in the US and Japan, Mercedes' most important non-European markets, rose about 20 per

cent to 90,000 and 42,000, respectively. Sales in western Europe (outside Germany) were 9 per cent higher at 173,000.

In commercial vehicles, domestic sales were 86,000 units against 85,300, helped by the new Actros heavy truck. Sales in the rest of western Europe climbed 27 per cent to 105,000.

SAS tightens belt for difficult flight

The Scandinavian airline is bracing itself for a fresh round of retrenchment

Like all airline chief executives, Mr Jan Stenberg of Scandinavian Airlines System is accustomed to periodic bouts of turbulence. But as he pilots the carrier into the New Year, he finds himself battling a headwind.

SAS's profits are sagging, costs are sharply up, and competition in an increasingly deregulated market is squeezing margins - an uncomfortable state of affairs for an airline which felt its star was rising again after posting record earnings in 1995.

Now, barely two years after spearheading sweeping cuts which stirred staff resentment and prompted a rash of costly strikes, Mr Stenberg is bracing himself for a fresh round of retrenchment.

In an attempt to reduce a cost-to-income burden of 84 per cent, the company has mounted a big efficiency drive. It has pledged not to cut jobs - the largest cost factor - but will concentrate on eliminating waste and duplication. Productivity improvements of up to 7 per cent are targeted in 1997.

Meanwhile, competition is mounting on both the domestic and European fronts. In the past year SAS has faced a direct challenge from Braathens Safe, the Norwegian airline, on the lucrative Oslo-Stockholm commuter route. Virgin Airlines, of the UK, has started services between Brussels and Copenhagen; and Maersk Air, of Denmark, competes on other routes.

"There is a greater aggressiveness and also more serious players on the market," Mr Stenberg says. But while he asserts that competition has been beneficial, raising capacity by 50 per cent on the Oslo-Stockholm route, the downside is that yields have fallen up to 15 per cent.

The point underlines SAS's dilemma. Indeed, its current problems stem from

SAS hits turbulence

Year-end results, SKr m	1994	1995	1996	1997	1998
Sales	35,586	35,403	35,700	36,900	37,800
Operating result	1,404	2,897	2,050	2,400	2,550
Financial net	-561	-579	100	300	625
Net and div net	723	2,318	2,150	2,700	3,175

Key ratios - SAS Denmark, DKr	1994	1995	1996	1997	1998
Operating margin, %	3.8	8.2	5.7	6.6	6.7
Earnings per share	1.8	11.0	6.8	10.4	11.7
Cash flow per share	14.0	26.7	20.8	24.3	26.7
Price/cash flow per share	41	51	37	31	25
Net asset value per share	1.09	2.44	3.00	3.00	3.00
Dividend, %	4.7	24.1	16.7	18.2	18.2
Return on equity, %					

Source: Handelsbanken



steps taken in 1996 to improve flight reliability and punctuality. The programme raised flight frequency - popular with passengers - but adversely affected overheads and profits.

SAS, which is owned by Swedish, Danish and Norwegian interests, trails in size behind Europe's big four carriers - British Airways, Air France, Lufthansa and KLM Royal Dutch Airlines. Lack of critical mass is a handicap in the capital-intensive airline industry, but Mr Stenberg insists SAS can overcome its size disadvantage through alliances with other carriers.

It operates code-sharing agreements with several international airlines, foremost among them Lufthansa, the German carrier.

The one-and-a-half year co-operation encompasses administrative functions such as timetable, check-in and booking. It has fuelled a 10 per cent growth in traffic - above the European industry average - and both sides are keen to develop the link.

But when a top Lufthansa executive recently suggested the alliance would lead to a future merger, SAS's response was cool.

Mr Stenberg, aware that SAS would be swallowed whole by its larger partner, says: "It would not be a merger of equals. Airlines, he says, 'have been very monolithic through history and you would have a lot of qualification problems. I am sceptical.'"

While competition at home heats up, Mr Stenberg sees new opportunities in European markets as planned

The reservations are, perhaps, unsurprising given SAS's previous disastrous attempt at a four-way merger with KLM Royal Dutch Airlines, Swissair and Austrian Airlines. The grandiose project, known as Alcanor, collapsed amid disagreement over a common US partner.

No such obstacle would apply to Lufthansa and SAS, which both collaborate with United Airlines of the US. Mr Stenberg's formula is to cement SAS inside the Lufthansa-United Airlines network, thereby allowing it to "operate in a global market without having a global presence".

While competition at home heats up, Mr Stenberg sees new opportunities in European markets as planned

deregulation takes effect. He foresees SAS starting operations to countries such as Spain, France and Italy once liberalisation occurs. "We are flying to and from these destinations and there is no reason why we should not fly some internal routes too," he says.

One favourable factor is that industrial relations, an Achilles heel for SAS in recent years, appear to have improved. Mr Stenberg estimates that he spends one-tenth of his time meeting representatives of the airline's 43 trade unions, a strategy which has helped to soften his uncompromising reputation among employees.

The plethora of unions is a legacy of SAS's tripartite structure which, according to analysts, is complex and cumbersome. The company made efforts to harmonise its operations in 1996 by reorganising the equity shares of the three national parent companies, but a common stock is still a long way off. Shares in each national holding company are listed in the respective countries. They trade at different prices, offer varying liquidity and are subject to arbitrage.

The Swedish, Norwegian and Danish governments hold 50 per cent stakes in the respective holding companies. There has been talk of the governments reducing their ownership, but Norway is believed to oppose the idea.

Mr Stenberg would welcome a broader private ownership, which would make it easier to raise capital, but he ardently defends the existing pan-national structure.

Any concentration to one domicile would, he says, weaken customer loyalty in the other countries - as would any merger with Lufthansa.

Greg McIvor

Nikko bails out lending affiliates

By William Dawkins in Tokyo

Nikko Securities, a leading Japanese stockbroker, is to inject ¥147.5bn (\$1.28bn) into three lending affiliates to enable them to write off uncollectable property-related loans.

Nikko's move means that all of Japan's big four brokers have now cleared the problems of their non-bank financial affiliates, which got into trouble by lending to risky property projects at the height of the 1980s asset price bubble.

Nomura made the biggest write-off - ¥371bn - followed by ¥150bn at Yamaiichi and ¥120bn at Daiwa. Nikko said the capital injection came in response to "social demand for the timely disposition of non-performing assets" to maintain the company's credibility and enhance competitiveness.

Like the other big brokers, Nikko will account for the injection as an extraordinary loss in the current year to next March. Of the total, ¥82.1bn will go to Kyodo Mortgage Acceptance, which is to receive an additional ¥47.6bn from Asahi Bank, another leading shareholder in Kyodo. Another ¥47.7bn goes to Nikko Credit Services and the remaining ¥17.7bn to Nikko Real Estate.

As a result, Nikko Securities expects to make an unconsolidated net loss of ¥95bn in the current year, its first deficit in two years, rather than the ¥24bn net profit it had been expecting.

Nikko has also revised down its operating forecasts, to a recurring profit - before tax and extraordinary items - of ¥460bn, on revenues of ¥270bn. It had previously expected a ¥60bn recurring profit on revenues of ¥300bn.

INTERNATIONAL NEWS DIGEST

Itochu moves into life assurance

Itochu, one of Japan's leading general trading companies, will in April start selling life assurance policies. The move follows last October's relaxation of Japan's insurance business law, which removed the ban on the sale of life assurance by non-insurance companies. Itochu is among the first to take advantage of this deregulation, which is part of a wider relaxation of barriers between different types of insurance providers. It is also part of Itochu's general diversification away from its original low-margin export import business.

The new insurance company, to be based in Osaka, will be 40 per cent owned by Itochu, with the remaining 60 per cent held by Global Insurance, a Tokyo-based consultant. It will act as an agent for 30 medium-sized insurers and sell a wide choice of policies, from life to endowment and medical insurance, Itochu said. The company also aims to combine different policies to offer tailored products which until now have been unavailable from individual insurers. It said.

William Dawkins, Tokyo

Viag lifts Vereinsbank stake

Viag, the German conglomerate with interests in energy, packaging, chemicals and telecommunications, has increased its shareholding in Bayerische Vereinsbank, Germany's fourth-biggest commercial bank, from 7.3 per cent to 10.24 per cent. Viag, which said it regarded the holding as an investment, owns the shares through Bayernwerk, its Bavarian electricity and gas division.

Munich-based Vereinsbank was at the centre of speculation about a possible restructuring of the German banking sector this summer, when Deutsche Bank surprised financial markets by announcing the acquisition of 5.2 per cent stake.

Andrew Fisher, Frankfurt

India's paperless trade starts

India's first paperless stock trade was made during quiet trading on the National Stock Exchange on Thursday.

The move follows the start-up last month of the country's first depository under a joint venture between the NSE and domestic financial institutions, which was seen as one of the most significant reforms of the Indian capital markets in the last four years. Investors now have an alternative to India's antiquated and paper-based settlement system. Paperless trading is also expected to increase investment by foreign institutions, many of which have been deterred by the settlement system.

However, Mr Gagan Rai, NSE executive director, said the development of scripless trading would take time. Of the 11 stocks initially selected for paperless trading in the depository, only three were available for trading on Thursday. Of these three - Reliant Industries, Housing Development Finance Corp and Siemens India - there was only one trade made during the day, as there had been only one token sell order.

Tony Tassell, Bombay

Unocal sells out of UNO-VEN

Unocal, the US oil company, is to sell its 50 per cent stake in the UNO-VEN refining operations in the US to Petroleos de Venezuela (PDVSA) for \$350m by the end of the first quarter of 1997.

UNO-VEN is a petroleum refining and marketing company that markets "76" brand products in the US midwest. The 50-50 partnership between Unocal and PDVSA, the Venezuelan state-owned oil company, was formed in 1986.

If the transaction goes through, Unocal expects to invest part of the proceeds in upstream and midstream projects overseas and in the US Gulf of Mexico area, the company said in a statement.

UNO-VEN runs a 183,000 bpd refinery near Chicago, and supplies approximately 2,500 independently owned "76" branded retail outlets in 15 Midwest and eastern states. The partnership has 1,100 employees and annual sales of more than \$1.2bn.

Unocal and PDVSA expect to complete the transaction in the first quarter of 1997.

Reuters, California

Georgia-Pacific in \$320m sale

Georgia-Pacific, the US pulp and paper group, is selling its Martell operations because it has "received a very good offer", the company said.

The agreement, announced earlier this week, to sell the Martell operations to Sierra Pacific for \$300m, was not part of any strategy to sell off assets, according to Georgia-Pacific.

The company will post an after-tax gain of about \$60m in the second quarter of 1997 on the sale.

However, one analyst said the Atlanta building and paper products manufacturer may be trying to distance itself from its West Coast involvement. "The West Coast has not been a main operations area. The woods products have shifted to the south-east," said Mr George Adler, an analyst at Smith Barney.

Georgia-Pacific, which reported sales of \$14.2bn in 1995, owns about 8m acres of timberland, of which 4m acres are in the southeast. After the sale, Georgia-Pacific will own 200,000 acres of timberland in California.

AP-DJ, New York

HK investors buy into Vancouver developer

By Bernard Simon
in Toronto

Burcon International Developments, a little-known Vancouver-based holding company, is set to emerge as the prime vehicle for Mr Li Ka-shing and other prominent Hong Kong investors to expand their property interests in North America.

Burcon, which is controlled by Hong Kong investors, has agreed to pay C\$250m (US\$183m) in cash and shares for part of Vancouver-based Concord Pacific Holdings, a private developer controlled by Mr Li.

Concord's flagship is Concord Pacific Place, a 200-acre residential and commercial project on the site of the Expo 86 World Fair in central Vancouver. Under the deal with Concord, Burcon will have options to acquire the entire development.

Fourteen condominium buildings are either complete or under construction at Pacific Place. The aim is

to complete the C\$3bn project within the next decade.

Burcon is a public company listed in Toronto. Its biggest shareholder is International Tak Cheung Holdings, a property, oil trading and construction materials group, which has a 46 per cent stake. Hutchison Whampoa, the conglomerate controlled by Mr Li, currently owns about 14 per cent.

Hutchison Whampoa's stake will rise substantially as a result of the Concord deal. Burcon will be jointly controlled by Hutchison, Tak Cheung and Hong Kong's Hui family. The companies declined to reveal specific shareholdings.

Mr Charles Chan, head of the Tak Cheung group and also Burcon's chairman, said: "Our new shareholder base and our strengthened balance sheet further reinforce our objective to become one of North America's leading integrated real estate groups."

Burcon, which may be

renamed Concord Pacific, began its expansion in early 1995 with the acquisition of a controlling interest in Oxford Properties, an ailing Toronto-based property developer.

Oxford has been revitalised into an aggressive concern with interests in 20.4m sq ft of commercial property, and management contracts for 44m sq ft of space in 35 cities across Canada and the US.

A 50 per cent-owned joint venture paid C\$1bn earlier this year for Marathon Realty, formerly Canadian Pacific's real-estate arm. Burcon will finance the Concord Pacific purchase by issuing 8m common shares and warrants for another 8.1m shares, more than doubling the current number of shares outstanding. Burcon said it also planned a public equity offering to raise funds for the Concord deal.

Burcon shares gained 25 cents to C\$10.50 in early trading yesterday. Oxford shares rose slightly.

OBITUARY: Ellen Schneider-Lenné

Deutsche Bank director

Miss Ellen Schneider-Lenné, a director of Deutsche Bank and one of the few women to reach the board of a leading German company, died on Christmas Day at the age of 54 after a lengthy illness. She had already announced her intention to retire at the end of this year.

Miss Schneider-Lenné, who was born in Berlin, joined the bank's board in 1989, becoming its first and only female director. No other leading German commercial bank has a woman on its board.

Her responsibilities at Deutsche covered credit risk management and financial institutions, as well as operations in the UK, where she was initially involved in investment banking after the bank's purchase of Morgan Grenfell in 1989.

Latterly, her UK responsibilities were concentrated on the commercial banking side.

She joined Deutsche Bank in 1967, having studied business administration at the university of Cologne.

After a spell as personal



Ellen Schneider-Lenné: first and only female board member

assistant to Mr Franz Heinrich Ulrich, a former chairman, she spent several years in New York and London, before moving into the management of the international department in Frankfurt with responsibility for trade financing.

Miss Schneider-Lenné was a non-executive director of Imperial Chemical Industries and served on the supervisory boards of Industrial Bank of Japan's operation in Germany and Readymix AG, the German subsidiary of the UK company.



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COMMODITIES AND AGRICULTURE

WEEK IN THE MARKETS

Nickel slides as stocks rise

By Kenneth Gooding and Peter John

Nickel's price fell to its lowest level in 24 years in quiet trading on the London Metal Exchange this week. On Monday, when it slipped to \$6,450 a tonne, traders said one big seller was responsible. But yesterday nickel for delivery in three months on the LME edged lower in thin trading, to \$6,470.

Analysts pointed out that demand from the stainless steel industry, which accounts for two-thirds of demand for nickel, had been weak for several months and LME stocks were rising steadily towards the psychologically important 50,000 tonnes level. The LME did not release any stock figures yesterday. The next set of statistics will be announced on December 31.

The metals team at Paribas Capital Markets says: "With prices weakening, nickel market sentiment has turned bearish. Demand, while strengthening in Europe and Asia, remains weak in Japan and the US. Given current market conditions, consumers are unlikely to increase 1997 contract volumes. However, we expect the nickel market to tighten next year and, if major consumers are caught short, further upward pressure should be exerted on prices."

Mr Ted Arnold, analyst Merrill Lynch, also suggests that nickel prices are cheap at present. He says that stainless steel scrap is increasingly in short supply and mills will have to turn more to primary nickel. "When that happens, probably towards the end of the first half, nickel prices could

move sharply higher." He also points out that China imported about 500,000 tonnes of stainless steel in 1995, and this year looks to be on target to import 750,000 tonnes.

Mr Arnold says present nickel prices are cheap compared with the average that many industry forecasters expect for 1997 - forecasts vary from \$7,714 to \$8,257 a tonne, he says. Merrill's prediction is in the middle of this range at \$8,375, while Paribas is looking for an average of \$8,811.

Oil prices drifted during a quiet week but ended above the lows as dealers focused on low stocks and harsh weather in some big consuming markets. The benchmark February Brent was trading at \$28.58 a barrel by the end

of yesterday's shortened London session, a rise of 19 cents on the day, with the market taking some heart from some encouraging data on underlying stocks.

The latest US data showed that US crude stocks were down by between 5.2m and 6.1m barrels to between 280.6m barrels and 287.9m barrels. The data also showed that distillate stocks had fallen by anything up to 1.5m barrels.

At the same time, demand increased following severe weather conditions in Europe and the US.

However, volumes were light over the Christmas holiday week. Dealers still expect the price to trend lower as the weather eases and the impact of Iraq's return to the world market begins to take effect.

Cocoa slipped below a significant support level with the futures contract hitting a nine-month low of \$993 a tonne, before ending the week at \$995 a tonne.

WEEKLY PRICE CHANGES

	Latest price	Change on week	Year on year	1996	1995
Gold per troy oz	\$369.55	+0.40	3397.05	\$415.40	\$367.00
Silver per troy oz	\$280.75	+0.25	331.20	\$353.00	\$287.50
Aluminium 99.7% (cash)	\$1517.0	+8.75	\$1582.5	\$1570	\$1294.5
Copper Grade A (cash)	\$252.0	-1.0	\$252.0	\$252.0	\$252.0
Lead (cash)	\$717.5	+0.5	\$717.5	\$717.5	\$717.5
Nickel (cash)	\$6450.0	-18.75	\$7890.0	\$5825	\$6185
Zinc SHG (cash)	\$1051.0	+12.25	\$1040.0	\$825	\$825.5
Tin (cash)	\$3550	-50	\$3550.0	\$3550	\$3550
Cocoa Futures Dec	\$1285	-5	\$2200	\$2200	\$1280
Sugar (LDP) (Nov)	\$285.00	+0.70	\$311.4	\$330.7	\$255.0
Barley Futures Jan	\$138.75	-0.25	\$115.0	\$127.5	\$90.00
Wheat Futures Jan	\$215.0	-1.30	\$215.0	\$215.0	\$215.0
Cotton Outlook A Index	74.55	-	85.50	97.50	74.05
Wood (Oak Super)	\$425	-	\$440	\$450	\$390
Oil (Brent Blend)	\$28.58	-0.01	\$18.50	\$25.18	\$18.50

For more information visit: p. 100, 101, 102, 103, 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200, 201, 202, 203, 204, 205, 206, 207, 208, 209, 210, 211, 212, 213, 214, 215, 216, 217, 218, 219, 220, 221, 222, 223, 224, 225, 226, 227, 228, 229, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 240, 241, 242, 243, 244, 245, 246, 247, 248, 249, 250, 251, 252, 253, 254, 255, 256, 257, 258, 259, 260, 261, 262, 263, 264, 265, 266, 267, 268, 269, 270, 271, 272, 273, 274, 275, 276, 277, 278, 279, 280, 281, 282, 283, 284, 285, 286, 287, 288, 289, 290, 291, 292, 293, 294, 295, 296, 297, 298, 299, 300, 301, 302, 303, 304, 305, 306, 307, 308, 309, 310, 311, 312, 313, 314, 315, 316, 317, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 334, 335, 336, 337, 338, 339, 340, 341, 342, 343, 344, 345, 346, 347, 348, 349, 350, 351, 352, 353, 354, 355, 356, 357, 358, 359, 360, 361, 362, 363, 364, 365, 366, 367, 368, 369, 370, 371, 372, 373, 374, 375, 376, 377, 378, 379, 380, 381, 382, 383, 384, 385, 386, 387, 388, 389, 390, 391, 392, 393, 394, 395, 396, 397, 398, 399, 400, 401, 402, 403, 404, 405, 406, 407, 408, 409, 410, 411, 412, 413, 414, 415, 416, 417, 418, 419, 420, 421, 422, 423, 424, 425, 426, 427, 428, 429, 430, 431, 432, 433, 434, 435, 436, 437, 438, 439, 440, 441, 442, 443, 444, 445, 446, 447, 448, 449, 450, 451, 452, 453, 454, 455, 456, 457, 458, 459, 460, 461, 462, 463, 464, 465, 466, 467, 468, 469, 470, 471, 472, 473, 474, 475, 476, 477, 478, 479, 480, 481, 482, 483, 484, 485, 486, 487, 488, 489, 490, 491, 492, 493, 494, 495, 496, 497, 498, 499, 500, 501, 502, 503, 504, 505, 506, 507, 508, 509, 510, 511, 512, 513, 514, 515, 516, 517, 518, 519, 520, 521, 522, 523, 524, 525, 526, 527, 528, 529, 530, 531, 532, 533, 534, 535, 536, 537, 538, 539, 540, 541, 542, 543, 544, 545, 546, 547, 548, 549, 550, 551, 552, 553, 554, 555, 556, 557, 558, 559, 560, 561, 562, 563, 564, 565, 566, 567, 568, 569, 570, 571, 572, 573, 574, 575, 576, 577, 578, 579, 580, 581, 582, 583, 584, 585, 586, 587, 588, 589, 590, 591, 592, 593, 594, 595, 596, 597, 598, 599, 600, 601, 602, 603, 604, 605, 606, 607, 608, 609, 610, 611, 612, 613, 614, 615, 616, 617, 618, 619, 620, 621, 622, 623, 624, 625, 626, 627, 628, 629, 630, 631, 632, 633, 634, 635, 636, 637, 638, 639, 640, 641, 642, 643, 644, 645, 646, 647, 648, 649, 650, 651, 652, 653, 654, 655, 656, 657, 658, 659, 660, 661, 662, 663, 664, 665, 666, 667, 668, 669, 670, 671, 672, 673, 674, 675, 676, 677, 678, 679, 680, 681, 682, 683, 684, 685, 686, 687, 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

WORLD BOND PRICES

MARKETS REPORT

By Richard Adams in London and Richard Waters in New York

Spanish government bonds yesterday outperformed their European counterparts, after Spain's parliament gave final approval for the 1997 budget.

In the cash market, the 10-year yield spread of benchmark 10-year Spanish bonds over German bonds tightened to 111 basis points, from 118 basis points at the previous day's close. Bonds closed at 112.46, up 0.57, while bunds declined slightly by 0.04 to 108.15.

In trading at Liffe, bonds future contracts touched a high of 112.25 during trading, before settling at 112.19, a rise of 0.63.

Trading in futures was very light. The price for March contracts was down 0.05 on the day to 100.67.

Long gilt futures nudged up a bit to 110.4.

Japanese government bond futures continued their sharp slide, with London taking its cue from Tokyo.

BENCHMARK GOVERNMENT BONDS

Source: Reuters International

US Treasury

10-year

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11/11-11

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BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 99.7% (per tonne)

Close 1615.5-17.5

Previous 1623.5-4.5

High/Low 1623.5-4.5

AM Official 1623.5-4.5

Kerb close 1623.5-4.5

Open int. 240,355

Total daily turnover 3,286

ALUMINIUM ALLOY (per tonne)

Close 1380-70

Previous 1377-75

High/Low 1377-75

AM Official 1377-75

Kerb close 1377-75

Open int. 5,130

Total daily turnover 1,056

LEAD (per tonne)

Close 712.5-13.5

Previous 717-8

High/Low 717-8

AM Official 717-8

Kerb close 717-8

Open int. 37,076

Total daily turnover 6,647

NICKEL (per tonne)

Close 6400-10

Previous 6400-10

High/Low 6400-10

AM Official 6400-10

Kerb close 6400-10

Open int. 45,886

Total daily turnover 9,047

TIN (per tonne)

Close 5655-55

Previous 5710-20

High/Low 5710-20

AM Official 5710-20

Kerb close 5710-20

Open int. 15,288

Total daily turnover 1,285

ZINC, special high grade (per tonne)

Close 1050.5-11.5

Previous 1045.5-10.0

High/Low 1045.5-10.0

AM Official 1045.5-10.0

Kerb close 1045.5-10.0

Open int. 17,281

Total daily turnover 16,992

COPPER, grade A (per tonne)

Close 2225-28

Previous 2231-2

High/Low 2231-2

AM Official 2231-2

Kerb close 2231-2

Open int. 22,550

Total daily turnover 212-28

LME AM Official 2/8 ratio: 1.6390

LME Closing 2/8 ratio: 1.6390

Spot 1.6390 3 mths 1.6390 6 mths 1.6390 12 mths 1.6390

High Grade Copper (COMEX)

Settle 162.00

Settle 162.00

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COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Saturday December 28 1996

Please don't stop the party

And so it goes on. The seemingly endless party on Wall Street has not only dented the sceptics; US investors marked the closing weeks of the year by snubbing the chairman of the Fed, Mr Alan Greenspan. In response to his publicly expressed worries about "irrational exuberance", they became yet more exuberant and placed even more irrational valuations on US equities. If this sounds like hubris, it probably is. Note, though, that there is a sense in which Wall Street has been doing the rest of the world a service.

Two of the more striking features of the world economy in the second half of the 1990s are the persistence of deflationary pressures, especially in Japan, and the toughening stance of fiscal policy in much of the OECD area. A further drag on the growth of global output has been an inventory adjustment which has affected even the more dynamic Asian economies, which are now a very significant part of the world economy. Against the background of these restraining influences, the global economic show has been kept on the road partly by a loosening of monetary policy, which has been reflected more in a big build-up in dollar-denominated central bank reserves than in conventional money supply figures. But the rise in the US equity market has also contributed to what the economists call a "wealth effect". The resulting surge in confidence has made it easier for Americans to act, mercifully, as the world's borrowers and spenders of last resort.

Inherent danger

By historic standards the result has been nothing to write home about. Since 1990 the fastest annual rate of growth in real gross domestic product achieved by the OECD countries has been 2.7 per cent. But that is a measure of the danger inherent in the overheating on Wall Street. A crash could produce a reverse wealth effect at a time when growth remains fragile. The nervousness of the Tokyo market this week was symptomatic. Investors are worried that in the battle between fiscal and monetary policy, fiscal austerity might yet emerge on top. What, then, is the likelihood of a damaging bull market correction? One concern in the US is that the share of corporate profits in national income, which has been on a healthy rising trend in the present cycle, could go

into reverse. In a disinflationary environment, where labour markets are tight and goods markets are slack, industrialists will find it hard to pass on increases in labour costs to the consumer. And with the Fed anxious to keep a firm grip on an economy in which the gap between actual and potential output has disappeared, the scope for continuing productivity gains will be reduced. Much of the underpinning of the bull market could thus be removed.

Nemesis delayed

Yet in practice the demise of bull markets is usually precipitated by monetary factors. And here it looks as though nemesis will come later rather than sooner. With the notable exception of the United Kingdom, monetary policy in the leading industrialised countries is mainly expansionary. Even the Bundesbank has abandoned its hairshirt, and some leading German and French politicians are now committed to the policy of competitive devaluation which they attacked so virulently when it was thrust upon the UK on its ejection from the Exchange Rate Mechanism.

Bond markets also have a crucial influence on the level of equities. As fiscal retrenchment continues, the increase in policy credibility stands to deliver further reductions in real long-term interest rates.

Another concern is that the Japanese authorities could undermine Wall Street by ceasing to buy US Treasury bonds. Yet it is hard to believe that they would want the return to a strong yen which this would imply while the Japanese economy remains weak and the banking sector is very fragile. And since it takes time for monetary policy to do its work, it seems all the more likely that global liquidity will remain buoyant for a while yet.

If so, the *joie de vivre* on Wall Street may tide the world over to a more confident economic upturn in which the surprises may come on the side of faster than expected growth. This is, after all, a long cycle in which the contribution of the newly industrialising economies in Asia and elsewhere will be on an unprecedented scale.

If the unsynchronised growth of the first half of the 1990s gives way later in 1997 to a synchronised upturn, the resulting inflationary pressures will call for precautionary monetary medicine. But by then the world should be equipped to cope.



On the ball: John Gallagher (left), Blackheath captain, welcomes the end of amateurism, while Vasegi Tuigamala (centre) and Lawrence Dallaglio attract crowds to Wasps games

Everything to play for

The chaotic professionalisation of rugby has left some clubs struggling while others prosper, says Patrick Harverson

Mr Danny Vaughan is a stocky south London truck driver, whose mishapen nose and battered features reflect a long career spent at one of sport's most unforgiving frontlines – the rugby scrum. After serving Blackheath rugby club as both player and coach for almost a decade, Mr Vaughan is now helping the sport's oldest club manage the transition from amateurism to professionalism. It is not an easy task.

"I can't put my finger on it but something has been lost," he says of the change in rugby union's status. "The difference between winning and losing was always important, but not that important. Now it's everything."

So much has changed in such a short time that those responsible for the day-to-day operation and playing of the game – the club administrators, coaches and players – are struggling to keep up with the demands of the new era. It was only in August last year that rugby union abandoned more than a century of amateurism. For several years, broadcasters had been paying ever-larger sums to cover popular international fixtures and the quadrennial rugby World Cup.

But the final impetus for the change came from Mr Rupert Murdoch, the media mogul who has used sport to build markets for his substantial television interests across the world. By the early 1990s he had identified rugby as a sport with enormous growth potential – exciting to watch and appealing to audiences in many television markets.

He began spending hundreds of millions of pounds acquiring the rights worldwide to televise professional rugby league and the amateur rugby union. As the money poured into the game, the players wanted their

share. Amateurism was doomed. Yet when professionalism arrived UK rugby was unprepared. The immediate consequence was a fierce battle between the 24 clubs in the top two divisions which went professional – several backed by new, very wealthy owners – and the Rugby Football Union, the English game's ruling body.

The issue was control of the players and club competitions, and the distribution of the all-important television revenues. The first- and second-division clubs wanted to run their own competitions, and they wanted a big share of the £87.5m five-year television deal the union had signed with BSkyB, the satellite broadcaster controlled by Mr Murdoch.

Eventually, the clubs – under pressure from smaller members which had been running up substantial debts while awaiting the first instalment of television money – capitulated.

While rugby's rulers waged war, the sport suffered at club level. The fixture list began to fall apart as the new Anglo-Welsh Cup descended into farce amid a welter of game cancellations. Meanwhile, the flagship European Cup lost badly needed exposure as ITV abandoned coverage of the tournament after confusion about arranging television matches.

This chaotic entry into professionalism has left Mr Tony Kennett, a retired oil industry executive who now chairs Blackheath's fundraising committee, frustrated. "Anyone involved in running rugby at the moment is working like the clappers," he says. "There hasn't been enough time to think this all through. I'm sure the honest opinion of most club administrators would be that they wished the game had not gone professional."

However, Mr Kennett speaks

primarily for the smaller clubs such as Blackheath, which is in the second division. Bigger clubs with the high public profile vital to capitalise on rugby's new status view professionalism as the bridge to bigger, better things.

Perhaps no club has come so far so quickly as Wasps, the London club which greeted the new world of professionalism by announcing its intention to join the stock market. That plan was abandoned, however, when Mr Chris Wright, chairman of the Chrysler media group, offered to buy Wasps and merge it with Queens Park Rangers football club.

Now part of a stockmarket-listed company called Loftus Road, the club has a firm sponsorship deal with NCR, the computer company. The first team plays most of its games at QPR's 19,000-seater football stadium near Shepherd's Bush, where attendances for the big games have more than tripled to over 10,000.

The fans are turning up to watch a Wasps team that boasts international stars such as Lawrence Dallaglio and Vasegi Tuigamala, the giant rugby league player from Western Samoa who earns £5,000 a match. With 17 full-time professionals, a near-£1m annual wage bill and a glamorous image that is attracting growing support throughout London, Wasps is every inch the new professional rugby club.

Mr Nigel Melville, the ebullient Yorkshireman who captained England at scrum half in the 1980s and who is director of rugby at Wasps, loves every minute of it. He can now work with the full-time members of the first-team squad at the club on four days a week, instead of just two evenings. Training techniques

are improving, diets are more closely monitored; football-standard medical facilities are available, and the players now approach the sport as though it is their job – which it is – and not just a hobby.

Professionalism has also altered the relationship between coaches and players, Mr Melville says. "The coaches used to ask players: 'Would you mind coming along for an extra training session this week?' Then suddenly, it's: 'You will turn up here on this day at this time.' It's a whole new world," he says.

In this new world Mr Melville, a professional coach employed by a publicly quoted company to train full-time players, keeps a close eye on the stock market to see how his Loftus Road stock options are faring. "I watch the shares every day," he says.

Across London at Blackheath, Mr Kennett probably wishes he could worry about share prices. His chief priority is converting a 138-year-old membership club into a public limited company with a broad shareholder base, and raising the millions of pounds needed to fund the club's move from its cramped home.

The Rectory Field may be one of the oldest grounds in rugby, but it is ill-suited to modern-day sporting demands. The club must move to a new stadium in a more accessible, attractive location if it is to make the most of professionalism.

Mr Kennett knows that if Blackheath is unable to raise the money to make the move, its future as a professional organisation could be in doubt. The club is budgeting for revenues of only £700,000 this year, with player wages and administration costs forecast to swallow all but a fraction of that income.

The club's tenuous financial position means it can afford to pay only two full-time players

out of a first-team squad of 40. With so many still on part-time contracts, weekday evenings continue to offer the only chance for the players to train together.

Hence the planned £2.6m share issue and the club's increasingly desperate search for a wealthy backer to inject funds. Talks with two prospective investors have broken down and Mr Kennett says the club "is looking to get into bed with the right sort of person".

Despite his cheerful approach to the fundraising task at Blackheath, he cannot disguise his concern that the clubs may be overstretching themselves. "We're very suspicious about where this is all leading us. Is it eventually going to drive all the clubs into bankruptcy?"

But if administrators such as Mr Kennett are fearful of the future, his players welcome the end of amateurism wholeheartedly. "It's good that it has happened. It was long overdue," says John Gallagher, the former New Zealand international full-back who now captains Blackheath. Hikka Read, an ex-All Black team mate who now helps coach Blackheath, agrees. "The players love it. After all, they're now getting paid to play," he says.

Gallagher and Read envisage a future in which a Blackheath team plays entertaining rugby in front of large crowds in a new all-seater stadium. They see rugby fixtures moving to Sunday to attract new and more fans, and they anticipate a large squad of players on full-time contracts able to train on weekdays like other professional athletes.

But until the club finds financial backing, Gallagher knows the future will have to be put on hold. "We cannot run before we can walk," he admits. "At the moment we're in the jogging phase."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938, e-mail: letters.editor@ft.com. Published letters are also available on the FT web site, <http://www.ft.com>. Translation may be available for letters written in the main international languages.

Probing the darker side of the brightly lit new inner cities

From Mr George Sheeran.

Sir, Colin Amery's "The brighter lights of the big city" (November 23/24) made interesting reading, confirming what I suspect many of your readers have observed taking place around them – "a renaissance of inner-city life... by popular choice".

But for whom? It is easy to be dazzled by the gentrification of some city centres: beyond the surface glitter, however, lies a darker place.

I wonder if people have ever stopped to think why the centres of cities hailed as models of urban regeneration – Glasgow, Leeds, parts of London – appear to be becoming peopled by only the well-heeled? The reason is the policies effected by an urban managerial elite of municipal planners, housing managers, development corporations and so on.

In order to regenerate, there is

a need to attract top legal and commercial firms together with the expensive big-name stores and fashionable small businesses. But to attract these, it is necessary to remove the undesirable small businesses and any lingering traces of social housing near to the centre.

The desired result is a prosperous, new-look city, rebuilt in post-modernist styles; where earlier architecture has been restored, where redundant, but characterful, warehouses and the likes have been converted to smart, upmarket apartments. And where crime rates are falling because the troublesome elements have been moved to someone else's doorstep.

Colin Amery is wrong when he suggests that high-rise dwellers and Sloane Rangers have equal access to the culture of these "new cities".

Their shops and restaurants have become too expensive and

exclusive for the high-rise dweller, a trend also observable in art galleries and museums. In Leeds the new Royal Armouries Museum charges an admission fee of about £20 for a family of two adults and up to three children – enough to make the low-paid think twice.

While the process is far from complete, the pattern beginning to emerge is one of city centres where the poor are moved on, the working class tolerated as shop and office workers, and small businesses that do not fit the image made unwelcome.

As Lily Savage said in a recent TV show, "They don't take Provident cheques at Harvey Nichols, do they?"

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Prescient Bell's network

From Mr Stewart Black.

Sir, I must take issue with Alan Cane's assertion that Alexander Graham Bell envisaged the telephone "principally as a way of disseminating concerts and other musical performances to a wider audience". ("Why talk today is relatively cheap", December 23).

In *The History of Bell's Telephone*, E. Field quotes Bell as writing: "It is conceivable that cables of telephone wires could be laid underground, or suspended overhead, communicating by branch wires with private dwellings, country houses, shops, manufactories, etc., etc., uniting them through the main cable with a central office where the wires could be connected as desired, establishing direct communication between any two places in the city. Such a plan, although impracticable at the present moment, will, I firmly believe, be the outcome of the introduction of the telephone to the public. Not only so, but I believe, in the future, wires will unite the head offices of the Telephone Company in the different cities, and a man in one part of the country may communicate by word of mouth with another in a distant place."

Bell therefore accurately predicted both the application of his invention and the basic structure of the network.

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Cosmetic device lowers the value of a business

From Mr David Allen.

Sir, Mr Ian Kennedy argues (Letters, December 21/22) that Lex continues to miss the real point as regards share buy-backs – but the situation is more complex than he indicates.

Specifically, the idea that a buy-back is "earnings enhancing" is erroneous. In today's conditions, if a company buys back shares to the value of £100m, say, then its future earnings will be about £5m per annum lower than if it had

retained the funds on account of the interest foregone or paid. The point is that, were the distribution to be called a dividend, earnings per share would be correspondingly reduced. Calling it a buy-back has the effect of avoiding that reduction.

Lex's description of the device as cosmetic is correct in the sense that, at best, the value of a business (its cash-generating potential) is no lower, after a buy-back from a few shareholders, than it would have been after

the payment of a similar amount in dividends to all shareholders. But cosmetics have side-effects. In this case, if directors pay themselves and their managers bonuses based on crude earnings per share figures, what Mr Kennedy applauds as earnings enhancing actually lowers the value of the business to its shareholders.

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Solihull B91 1NN, UK



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Next chapter in the foresight saga

How well did FT writers fare with last year's prophecies? Martin Wolf made a relatively safe bet that the world economy would not slow further but that "more of the same" might result in poor growth. In Japan, "the fragile blossoming" of recovery predicted by William Dawkins was more than fulfilled.

John Plender would have raked in the chips with his cautiously bullish forecast for equities - share prices rose throughout 1996 in most markets.

Although Chrystia Freeland hedged her forecast on whether Mr Boris Yeltsin would remain president of Russia, she correctly predicted that Mr Vladimir Zhirinovskiy, the flamboyant ultra-nationalist, would fail to make it to the final vote.

Jurek Martin said he would bet "only a nickel" on Mr Bill Clinton in the US presidential race. As it turned out, he could have afforded a bigger punt on the Democrats' runner - especially as he forecast correctly that Mr Bob Dole would win the Republican nomination.

John Murray Brown may not, alas, have needed great powers to foresee that talks on Ustler's future would be bogged down in disputes about the decommissioning of terrorist weapons.

Philip Stephens was right to think the Tories would hang on in the UK despite a dwindling majority. As for European monetary union, Lionel Barber may have underestimated the growing political determination in continental Europe to make it happen.

In the Middle East, David Gardner's doubts of accord between Israel and Syria were fully justified. He could not have foreseen that Mr Shimon Peres would be replaced as Israel's prime minister by the hardline Mr Benjamin Netanyahu.

Now for 1997.

Max Wilkinson

What will happen to world interest rates?

Martin Wolf writes: There is little reason to expect significant changes in the short-term interest rates of the Group of Seven leading industrial countries in 1997. The principal exception is likely to be the UK, where the highest monetary growth in the G7 and buoyant domestic demand will force rates higher.

A small rise in US short-term interest rates is forecast for early 1997 by the Organisation for Economic Co-operation and Development. But "small" is likely to be the operative word.

Japan and the principal continental European economies have substantial excess capacity, hesitant recoveries and no inflationary pressure. All are also embarked on programmes of fiscal consolidation.

Against this background, higher short-term interest rates would be unwise and, if anything, rates should fall in Germany, France and Italy. Nevertheless, the cautious Bundesbank may raise its rates a little.

Will there be a stock market crash in 1997?

John Plender writes: There is no difficulty in finding arguments for a US-induced global crash: the present demanding valuations for US equities; share-price rises financed increasingly by debt; the possibility that the flow of

official Japanese capital into US bonds could reverse - leaving US savers with less money for equities; a rise in short-term US interest rates if Mr Alan Greenspan, the Federal Reserve chairman, fails to damp "irrational exuberance".

Yet these factors are more likely to induce a correction than a crash - especially since the Japanese will not readily pull the plug by tightening monetary policy. In fact Tokyo looks more crashworthy than Wall Street - its bond and equity valuations are absurd by global standards.

Will the Clintons sink in scandal?

Jurek Martin writes: The administration will be distracted by them. There are simply too many pending inquiries for it to be otherwise - Whitewater, travel-gate, FBI file-gate, political fundraising, even sexual harassment. But overwhelmed or even brought down à la Watergate? No.

The Clintons have been accused of nothing that compares to the "high crimes and misdemeanours" that brought down Nixon. Never forget, too, that it is easy to report and allege, but harder to indict and tougher still to convict - and the Clintons will fight at each stage of the legal process.

Nor have they lost the war for the public ear. November's presidential election showed that Americans accepted their president and first lady - alleged warts and all.

How many countries will qualify for Emu?

Lionel Barber writes: A socialist would reply: none. The decision on which European Union member states qualify for entry into the elite single currency club will not be made until April/May 1998.

But we should have a pretty good idea of which countries are in line by the end of the year, based on their economic performance in 1997 and their 1998 budgets. A safe, narrow Emu would be based around France, Germany, and the Benelux countries. Probable additions include Austria, Finland and the Irish Republic. Less probable but not impossible: Spain and Portugal.

There is no way for the Italians to slip under the tent-flap. And a UK government, Tory or Labour, seems to have left itself no time to pass the necessary legislation, let alone win over a sceptical public. The Danes and Swedes need referendums, and Greece will not make it this side of the millennium.

Will life be proved to exist on other planets?

Clive Cookson writes: Assuming alien beings do not land on earth during 1997, there are two scientifically plausible ways that could prove the existence of extraterrestrial life.

First, researchers might come up with compelling evidence by further study of Martian meteorites (rocks blasted off Mars by an asteroid smashing into the planet, which end up on earth). The evidence presented last August by NASA scientists - that meteorite ALH84001, contained microscopic fossils and chemical traces of primitive Martian organisms - is controversial.

What is likely to happen during 1997? FT writers anticipate the events that will shape the world during the year



Something much stronger will be needed to convince many independent experts, and that is unlikely to emerge within the next year.

The second and more exciting possibility is that astronomers taking part in the search for extraterrestrial intelligence will pick up radio signals from civilisations elsewhere in the galaxy. Several of the world's large radio-telescopes will be used during 1997 to scrutinise distant star systems in the hope of finding signals that are unambiguously the product of an alien technology rather than any natural process.

The overwhelming odds, however, are that there will still be no proof in a year that life exists anywhere else in the universe.

Will I have to buy a modem?

Paul Taylor writes: Personal computer users without a modem connection to the Internet are likely

to feel increasingly isolated over the next 12 months as the rush to get online gathers pace. The Internet has been transformed over the past two years from an academic and computer hobbyist's plaything into a new communications and distribution medium, an online shopping mall and a huge virtual library packed with useful - and useless - information.

For the moment, e-mail and the electronic chat rooms of the commercial online services such as CompuServe and AOL remain the main reasons why consumers

are buying modems and going online. However, powerful search engines such as Yahoo! and AltaVista allow the ordinary PC user to find information on the World Wide Web on anything from an apple pie recipe to scientific data about the climate of the south Pacific.

The case for buying a modem will become even more compelling in 1997. Banks are preparing online services that will enable consumers to conduct much of their banking business from their home PCs. Consumer companies such as Virgin are preparing to launch Internet services with value-added features such as homework help for schoolchildren and teachers' notes. Other companies are already "broadcasting" news over the Internet.

Meanwhile many of the technical and security problems associated with Internet commerce are being resolved. This will make it possible to select and pay for goods and services over the Internet safely - whether the sums involved are pennies or hundreds of pounds.

Who will be leader of the UK Conservative party?

Philip Stephens writes: It will not be John Major. Barring divine intervention, the Conservatives' 18 years in office will end within the next few months. Some would like Mr Major to hang on for a time as opposition leader to limit the blood-letting of a leadership contest, but he will prefer to retire quietly to Huntingdon.

Logic would anoint as successor Mr Kenneth Clarke - the chancellor is unquestionably the most impressive figure in the cabinet. But he is a pro-European and the Tory sceptics at Westminster are beyond conventional political reason.

They will back Mr Michael Portillo, the defence secretary, or Mr John Redwood, the former Welsh secretary who challenged Mr Major for the leadership last year. Mr Michael Howard, home secretary, and Mr Malcolm Rifkind, foreign secretary, and Mr Stephen Dorrell, health secretary, will also throw their hats into the ring as centrist alternatives. The result will be a lottery.

But if Labour wins the election only narrowly, Mr Michael Heseltine, the deputy prime minister and the cabinet's other big beast, is worth a modest punt.

Will Hong Kong's handover be smooth?

John Ridding writes: Hong Kong will pass smoothly back to China in July, despite clashes between the UK and China arising from the existence of parallel legislatures - one elected under governor Chris Patten's democratic reforms, one selected by a Beijing-backed committee. Business sentiment will remain buoyant.

China's formation of its new legislature has already undermined its promise of an elected assembly. Whether this commitment is upheld depends on the shape and speed of arrangements for a planned replacement. After

a honeymoon, freedom of the press and of political expression will also come under pressure.

On the economic front, self-interest and the international focus on Hong Kong will hold Beijing to its promise of autonomy. China will keep its hands off Hong Kong's capitalist system and its financial reserves.

While the Chinese central government will also seek to ensure a level business playing field, it will find it hard to restrain provincial authorities and state companies from interfering in Hong Kong. Expect some bold corporate moves by China-backed businesses seeking to expand in Hong Kong.

Will the Bosnian peace settlement hold?

Bruce Clark writes: This will be a year of increasing tension between the desire of most western governments to maintain peace in Bosnia at all cost, and the Bosnian-Muslim leadership's keenness to settle scores with the Serbs.

Violent incidents will increase, particularly around March when the future of the Brcko corridor is due to be settled, and during the municipal elections in mid-summer. The Bosnian-Muslims will test the Dayton peace agreement by staging marches home by refugees. Western peacekeepers will be denounced as guardians of ethnic cleansing unless they take the refugees' side in clashes with the Serbs. But as long as some western ground troops remain in Bosnia, these incidents will fall short of a return to all-out war.

A change of regime in Serbia, which looks increasingly likely, will leave the Bosnian Serbs even more isolated. Croatia could replace Serbia as the Bosnians' main adversary. Illness could lead to the departure of Croatia's President Franjo Tudjman, possibly paving the way for more liberal policies.

Will Africa descend into chaos?

Michela Wrong writes: The nightmare that has kept diplomats in Africa in a cold sweat for decades is becoming a reality. Zaire could fall apart - destabilising the central equatorial region of Africa.

The effortless rebel seizure of the east of the country will encourage neighbouring countries to make a grab for other parts of the country that are rich in oil and diamonds. If outsiders fail to tear the country apart, the generals probably will, as prostate cancer grips Mobutu Sese Seko, president since 1965. Squabbles over the succession could set the various army factions against each other, eliminating the last barrier holding Zaire back from complete chaos.

The disintegration of Zaire would have consequences across the centre of Africa. Instability would jeopardise the peace process in Angola, threaten Uganda's economic recovery and fuel strife in the Central African Republic and Burundi.

The latter looks set to continue its headlong plunge to perdition. Boycotted by its regional neighbours, the Tutsi minority government has nothing to lose by trying to wipe out the Hutu majority. Following the clumsy climbdown from intervention in Zaire, the international community - France, perhaps, excluded

- will do anything to stay out of Africa.

What will I see at the cinema?

Alice Rawsthorn writes: 1996 was the year when digital special effects came of age in the cinema, with the exploding White House in *Independence Day* and the flying cows in *Turister*. Next year disaster films seem set to make the maximum use of the new effects.

Hollywood has a string of expensively produced disaster pictures in the pipeline, starting with *Dante's Peak*, a Universal production starring Pierce Brosnan, which opens in north America in February. This will be followed by *Volcano*, a 20th Century Fox film with Tommy Lee Jones as its lead; *The Flood* from Paramount; and *Twister*, an underdog epic by James Cameron, the *Terminator* director.

The production budget for *Dante's Peak* is reportedly more than \$115m and *Volcano* - which includes a scene in which Los Angeles is destroyed - cost more than \$70m. The studios will spend at least \$30m promoting each picture in the US alone.

Will Japanese exporters bounce back?

William Dawkins writes: Yes. After falling slightly, in the first half of this year, Japanese exports rose 7.5 per cent in the six months to December. Growth is expected to accelerate to 8.3 per cent next year, according to the OECD, and to 8.5 per cent in 1998.

Car companies are leading the way. In November their exports were 30 per cent above the level a year before; they were followed by electronics companies, up 13.5 per cent in the same month.

If the OECD is right, Japan is heading for its best export growth since 1988. It will also register the fastest rate among the seven richest countries next year and in 1998.

The OECD is right to be bullish about Japanese companies' export prospects. They are helped by a weak yen which is unlikely to strengthen significantly, given the slowdown in the domestic economic recovery. Moreover, the top exporters have made such competitiveness gains that they would keep bouncing back even if the yen recovered.

Will oil prices be higher at the end of 1997?

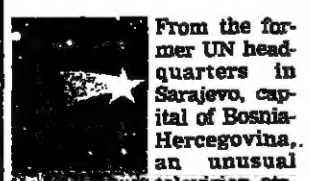
Robert Corzine writes: Mundane as it sounds, much depends on the weather. Cold snaps in the US and Europe have been one of the main reasons behind this year's rise in oil prices to six-year highs. A return to "normal" weather patterns in the northern hemisphere would probably push prices down.

Even with bad weather, any rise could be shortlived. The world is not short of oil - and nor is the industry short of cash to develop new fields after a bumper year for most oil companies. The costs of new field development are falling fast, thus encouraging even greater investment in new capacity.

Another bearish factor is that Iraqi crude is now back in the market, albeit in limited quantities. But there is also no shortage of political instability in many big oil-producing countries.

Reprogramming a country for peace

Laura Silber tunes into the Bosnian television network born of the war and broadcasting for unity



From the former UN headquarters in Sarajevo, capital of Bosnia-Herzegovina, an unusual television station beams the evening news across the scarred landscape.

In a land where the electronic media were used to divide communities and stir up war, TV-in broadcasts to Bosnian Muslims, Serbs and Croats with the aim of bridging the divisions.

Free of political control and with international backing, it is the only television station in the former Yugoslav republic that regularly reports from both sides of the former frontlines.

"We try to do stories everyone can relate to - about economic and social problems and war invalids," says Mr Kosta Jovanovic, news editor at TV-in. "Everyone has these problems no matter where they live in Bosnia."

TV-in is the hub of a network of four small stations founded during the war when Bosnian cities were cut off from each other. The other affiliates are in Mostar, Tuzla and Zenica, the

main cities in the Moslem-Croat federation.

They are linked in the Open Broadcasting Network (OBN), established with the aim of dissolving the borders among the three communities as part of the Dayton peace accord signed a year ago.

The project is based on the formula of an American network, with affiliate stations carrying their own local programming alongside the programmes of the central network.

"TV-in does not try to recreate the Bosnia that existed before the war, but it hopes to create a new Bosnia in the airwaves that will break down artificial barriers and information blockades," says Mr Michael Montgomery, a US journalist who was a consultant on the project.

To prepare the climate for last September's free elections, the network was supposed to be broadcast throughout Bosnia - in Republika Srpska, the Bos-

nian Serb entity, and in the Federation.

Some \$11m (\$5.5m) was raised from the European Union, the US, Japan and the Open Society Institute founded by Mr George Soros, the Hungarian-born American financier.

But creating an independent television has been difficult. In Bosnia, each attempt to weld the country's two halves into a loose union, as outlined by the Dayton accord, becomes a tug-of-war between the rival leaders and international mediators.

In Serb and, in particular, Croat-held parts of Bosnia, the authorities were loath to relinquish their control over broadcasting - despite commitments to freedom of the media from the presidents of Serbia and Croatia.

This in turn created opposition in the Moslem-led Bosnian government, which already allowed television coverage to be far more balanced than its Serb and Croat counterparts. "Why

should we support the Open Broadcasting Network when nobody else is?" asked a Moslem official.

So great was opposition that the Bosnian government last summer rejected a \$3m World Bank loan custom-made for state television rather than endorse the network.

These obstacles were accompanied by disagreements among the affiliates and with the international advisers over who controlled the network, the editorial approach and finances. The network seemed doomed to failure. A team of American consultants was hastily dispatched to Sarajevo to salvage the project.

A week ahead of the September 14 elections, TV-in made its debut - too late to affect the outcome of the poll and covering less than half the country. It was beamed via satellite to its affiliates in the Moslem-Croat federation. Viewers in Banja Luka, the biggest Bosnian-Serb town, could



On camera: Kosta Jovanovic (left) and Benjamin Filipovic, the station's creative director

watch only because the Nato-led peace force had installed - and was keeping guard over - a transmitter.

It took months to find a suitable partner in Republika Srpska, where a small group of local reporters, guided by foreign experts, has now founded a bureau. Those involved in the network believe the Serb station needs to shape its own

identity to gain the trust of the inhabitants of Republika Srpska.

"It is a miracle the station is actually alive and off the ground," says an international official. The central network now has an air of a real TV station. Young journalists, many of whom received on-the-job training from western reporters, including

stunts at the Sarajevo school run by the BBC, bustle round the building.

"I don't want to paint too rosy a picture. But against the odds, given the circumstances in Bosnia-Herzegovina, the Open Broadcasting Network is going astonishingly well," says Mr Michael Steiner, principal deputy international envoy to Bosnia under the Dayton peace accord.

Two weeks ago the network celebrated its 100th broadcast. But its future is not yet assured: donor countries are due to meet in Brussels next month to consider whether to pledge funding of some \$7.5m over the next two years. Nearly half of this is needed to upgrade technical facilities.

Over this two-year period, the hope is to scale down international involvement in the network. The Bosnian affiliates will be the majority owners and they plan to attract advertising revenue to become a viable commercial operation. They may try to switch from satellite to less costly land links.

"It took some time to strike a balance between foreigners and Bosnians," says the network insider. "The outsiders want control because they have put up the money and have their political goals, but for the station to survive the Bosnians themselves need authority and responsibility for its destiny."

The network's experience underscores the difficulties of implementing any attempts to link the two entities - from something which seems as insignificant as vehicle licence plates to something as important as political structures.

Bosnia's rival authorities earlier this month gave a firm commitment to provide the legal framework for the network to continue operating throughout the country. If all goes well TV-in will finally reach all Bosnians.

Maybe next year Mr Jovanovic's mother, who lives in the Serb-held town of Teslic, will be able to watch the network. For the time being, says Mr Montgomery, "it is the only Bosnia-wide project that has seen even a modicum of success".

CURRENCIES AND MONEY

Yen plummets

MARKETS REPORT

By Simon Kuper

The yen touched three-and-a-half year lows against the dollar yesterday, hit by this week's slide in Tokyo share prices.

It was a day of sharp moves in the currency markets. Sterling soared to its highest level since being ejected from the European exchange rate mechanism on "Black Wednesday" in September 1993, and the Swiss franc fell to a 37-month low against the D-Mark.

The yen fell on fears that Japan's austere 1997 budget, approved by the cabinet on Wednesday, could stall the economy's tentative recovery. Japanese interest rates are expected to remain low.

The yen closed at ¥115.4 against the dollar in London yesterday, ¥0.5 down on the day and ¥1.5 below its close on Christmas Eve.

The pound, boosted by

expectations that UK interest rates would rise soon, gained 2.8 pence against the D-Mark and 1.9 cents against the dollar to close in London at DM2.631 and \$1.692 respectively.

Sterling closed at 95.6 per cent of its 1990 value against a trade weighted basket of currencies. After the UK left the ERM on the evening of Black Wednesday, it fell to 94.8 per cent of its 1990 level.

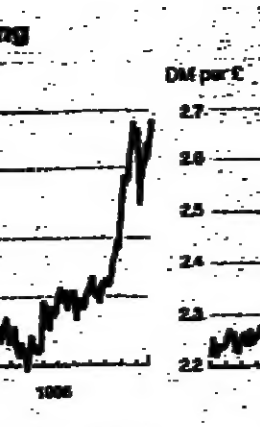
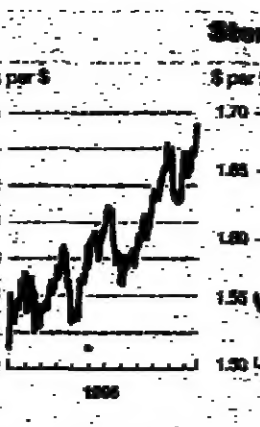
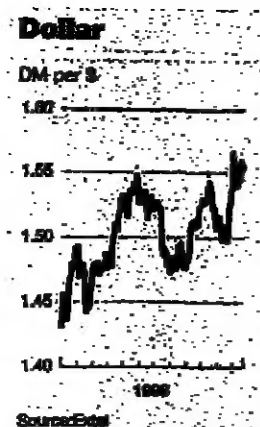
The Swiss franc continued its slide of most of 1994. It

Pound in New York

Dec 27	Low	High	Prev. close
1 month	1.682	1.692	1.690
3 months	1.687	1.697	1.695
1 year	1.678	1.688	1.685

fell from Sfr0.865 to Sfr0.867 against the D-Mark, as traders expected the Swiss National Bank to keep monetary policy loose.

Traders said yesterday's moves were exaggerated by thin volumes, with the pound, meanwhile, against the D-Mark. The pound, meanwhile, against the D-Mark, gained 40.9 pence against



The moves completed an unusual year in the foreign exchange markets. The yen and the Swiss franc, which have traditionally tended to appreciate, have fallen, while sterling, which tends to fall, has risen 13 per cent since early August.

The yen has dropped ¥12.2 against the dollar since the start of the year, and the Swiss franc has lost almost 10 per cent of its value against the D-Mark. The pound, meanwhile, has gained 40.9 pence against

the D-Mark and 14 cents against the dollar in 1994.

The Japanese and Swiss currencies have suffered because their economies have been stagnant and their interest rates low. Currency strategists had expected the Swiss franc to rise this year, as investors sought a safe haven from the uncertainties of European monetary union.

Sterling has gained because UK interest rates are the highest of any major economy and are expected to

rise soon. Most UK economists predict that Mr Kenneth Clarke, the chancellor, will raise base rates from their present level of 6 per cent after his January 15 monetary meeting with Mr Eddie George, governor of the Bank of England.

But economists say that, perversely, the recent rise in sterling makes a rate increase less likely. They point out that a stronger pound curbs inflationary pressures. As the Bank of

England said yesterday: "The pound's rise will have a depressing effect on inflation in the short term, because it will reduce import prices." Many economists say sterling's gains could therefore reduce pressure on Mr Clarke to raise rates.

Furthermore, if Mr Clarke left rates unchanged next month, the pound would probably fall. That would help exporters, many of whom have told the chancellor that sterling's strength is eating into their profits.

POUND SPOT FORWARD AGAINST THE POUND

Dec 27	Closing mid-point	Change on day	Dec 27	Closing mid-point	Change on day
Europe	18.126	+0.194	222	18.126	+0.194
Australia	18.126	+0.194	222	18.126	+0.194
Canada	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Greece	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Japan	18.126	+0.194	222	18.126	+0.194
Luxembourg	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 27	Closing mid-point	Change on day	Dec 27	Closing mid-point	Change on day
Europe	18.126	+0.194	222	18.126	+0.194
Australia	18.126	+0.194	222	18.126	+0.194
Canada	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Greece	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Japan	18.126	+0.194	222	18.126	+0.194
Luxembourg	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

CROSS RATES AND DERIVATIVES

Dec 27	Dec 27	Dec 27	Dec 27	Dec 27	Dec 27
Belgium	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

EUROPEAN CURRENCY UNIT RATES

Dec 27	Dec 27	Dec 27	Dec 27	Dec 27	Dec 27
Belgium	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

UK INTEREST RATES

Dec 27	Dec 27	Dec 27	Dec 27	Dec 27	Dec 27
Belgium	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

JAPANESE YEN FUTURES (¥100)

Dec 27	Dec 27	Dec 27	Dec 27	Dec 27	Dec 27
Belgium	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

STERLING FUTURES (£100)

Dec 27	Dec 27	Dec 27	Dec 27	Dec 27	Dec 27
Belgium	18.126	+0.194	222	18.126	+0.194
Denmark	18.126	+0.194	222	18.126	+0.194
France	18.126	+0.194	222	18.126	+0.194
Germany	18.126	+0.194	222	18.126	+0.194
Ireland	18.126	+0.194	222	18.126	+0.194
Italy	18.126	+0.194	222	18.126	+0.194
Netherlands	18.126	+0.194	222	18.126	+0.194
Norway	18.126	+0.194	222	18.126	+0.194
Portugal	18.126	+0.194	222	18.126	+0.194
Spain	18.126	+0.194	222	18.126	+0.194
Sweden	18.126	+0.194	222	18.126	+0.194
Switzerland	18.126	+0.194	222	18.126	+0.194
UK	18.126	+0.194	222	18.126	+0.194
USA	18.126	+0.194	222	18.126	+0.194
South Africa	18.126	+0.194	222	18.126	+0.194
India	18.126	+0.194	222	18.126	+0.194
China	18.126	+0.194	222	18.126	+0.194
South Korea	18.126	+0.194	222	18.126	+0.194
Taiwan	18.126	+0.194	222	18.126	+0.194
Thailand	18.126	+0.194	222	18.126	+0.194

LONDON MONEY RATES

LONDON MONEY RATES							
Dec 27	Over- night	7 days notice	One month	Three months	Six months	One year	
Interbank Sterling	6 1/4 - 5	6 1/4 - 6	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	7 - 6 1/2
Sterling CDs	-	-	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4
Treasury Bill	-	-	6 1/2 - 5 1/4	6 1/4 - 6	-	-	-
Bank Bills	-	-	6 - 5 1/2	6 1/2 - 6 3/4	6 1/2 - 6 3/4	6 1/2 - 6 3/4	-
Local authority debts	5 1/2 - 5 1/4	5 1/4 - 5 1/2	6 1/4 - 6	6 1/2 - 6 1/4	6 1/2 - 6 1/4	6 1/2 - 6 1/4	6 1/2 - 6 1/4
Discount Market rate	6 1/4 - 5 1/2	6 1/4 - 6	-	-	-	-	-

UNIT TRUSTS

WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

Johnson Fry Slater Gth	1,488
Jupiter European	1,335
Gartmore UK Smaller Companies	1,335
HSBC Hong Kong Growth	1,324
North West UK Smaller Cos	1,321

BOTTOM FIVE OVER 1 YEAR

Old Mutual Thailand Acc	539
Serve & Prosper Korea	570
Baring Korea	601
Schroder Seoul	630
Serve & Prosper Southern Africa	683

TOP FIVE OVER 5 YEARS

Johnson Fry Slater Gth	2,123
Profit Technology	2,018
Gartmore UK Smaller Companies	1,808
Jupiter European	1,764
PM North America Growth	1,761

BOTTOM FIVE OVER 5 YEARS

Serve & Prosper Korea	450
Serve & Prosper Far East Sm Cos	544
Schroder Seoul	575
Old Mutual Thailand Acc	592
Gartmore PS Emerging Markets	597

TOP FIVE OVER 10 YEARS

Johnson Fry Slater Gth	2,123
Profit Technology	2,018
Gartmore UK Smaller Companies	1,808
Jupiter European	1,764
PM North America Growth	1,761

BOTTOM FIVE OVER 10 YEARS

Serve & Prosper Korea	450
Serve & Prosper Far East Sm Cos	544
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Tables show the result of investing £1,000 over different time periods. Trusts are ranked on 3-year performance. Warning: past performance is not a guide to future performance.

Source: HSW (01625 511311)

Indices

Index	1 year (%)	3	5	10	Volatility
Average Unit Trust	10.94	11.38	18.50	24.05	3.8
Average Investment Trust	10.90	11.26	18.22	23.55	3.8
Bank	10.33	11.12	17.27	22.07	4.0
Building Society	10.32	11.14	17.29	22.08	4.0
Stockmarket: FTSE All-Share	11.54	12.19	20.45	23.92	3.3
Inflation	10.25	10.87	11.35	15.41	0.4

UK Growth

Index	1 year (%)	3	5	10	Volatility
Jupiter UK Growth	11.46	16.40	27.76	-	3.7
Johnson Fry Slater Growth	14.88	15.74	25.74	-	3.8
River & Mercantile 1st Growth	12.00	15.29	-	-	3.2
Credit Suisse Fellowship Inc	11.38	14.84	-	-	3.6
Serve & Prosper UK Growth	11.60	14.74	20.94	-	3.6
SECTOR AVERAGE	10.97	14.42	19.08	26.48	3.5

UK Growth & Income

Index	1 year (%)	3	5	10	Volatility
Family United Charities	11.58	13.25	19.27	21.85	3.1
Perpetual Income	10.82	13.15	19.27	21.78	3.2
Mercury UK Equity	11.10	13.15	21.10	28.09	3.4
Fleming Select UK Income	11.45	13.13	19.31	29.08	3.4
Profit UK Blue Chip	11.38	13.09	20.94	-	3.5
SECTOR AVERAGE	10.80	11.85	18.21	28.07	3.4

UK Smaller Companies

Index	1 year (%)	3	5	10	Volatility
Gartmore UK Smaller Companies	13.38	18.08	21.83	29.61	3.8
Lawrence Klein Smaller Cos	12.40	17.59	-	-	3.4
AES Smaller Companies	11.90	16.87	22.94	-	3.5
INVESTCO UK Smaller Companies	11.92	16.87	24.78	29.11	4.5
Credit Suisse Smaller Cos Inc	11.38	16.89	22.78	22.05	3.7
SECTOR AVERAGE	11.08	12.97	19.88	26.12	3.6

UK Equity Income

Index	1 year (%)	3	5	10	Volatility
Jupiter Income	11.55	15.71	21.14	-	3.4
GT Income	11.50	13.95	19.74	27.81	3.4
River & Mercantile 1st Income	11.06	13.73	20.91	-	3.4
BWD UK Equity Income	11.34	13.67	20.27	26.03	3.4
Lazard UK Income	11.10	13.82	21.07	26.16	3.5
SECTOR AVERAGE	10.89	11.60	16.75	22.85	3.4

UK Equity & Bond Income

Index	1 year (%)	3	5	10	Volatility
Profit Extra Income	11.08	12.59	19.88	23.03	3.0
Baillie Gifford Conv & General	10.88	11.78	21.37	22.41	3.0
N&P High Income	11.08	11.67	20.23	21.86	3.0
Edinburgh High Distribution	10.58	11.34	19.38	23.35	3.7
CIS UK Income	10.51	11.26	17.94	-	2.9
SECTOR AVERAGE	10.42	10.84	17.50	22.84	3.0

UK Eq & Bd

Index	1 year (%)	3	5	10	Volatility
BWD Balanced Portfolio	11.38	14.04	21.74	-	3.7
NPI UK Extra Income Inc	10.93	12.80	22.04	-	3.0
Perpetual High Income	10.74	12.68	23.35	-	2.9
Credit Suisse High Income Port	10.58	12.43	22.18	-	3.1
Canille Income Dis	11.00	11.80	19.43	25.01	2.8
SECTOR AVERAGE	10.83	11.78	19.21	27.72	3.1

Gilt & Fixed Interest

Index	1 year (%)	3	5	10	Volatility
Abnvest Fixed Interest	11.18	11.94	20.67	26.49	2.4
Thornhill Preference Inc	10.58	11.68	17.78	23.95	1.9
Edwards Gilt & Fixed Int Inc	10.77	11.68	18.95	-	1.7
Henderson Preference & Bond	10.67	11.25	18.94	22.37	1.6
Abbey Capital Reserve Acc	10.36	11.22	19.18	22.15	0.3
SECTOR AVERAGE	10.36	10.58	14.48	21.54	2.0

International Equity Income

Index	1 year (%)	3	5	10	Volatility
Marlin Currie Int'l Income	10.37	11.25	21.18	-	3.1
GT International Income	10.08	11.23	19.85	26.42	2.8
M&G International Income	10.16	11.09	19.60	25.53	2.8
GEM Dolphin Int'l Gth & Income	10.20	11.00	17.86	20.02	3.0
Mayflower Global Income	9.78	10.90	17.78	18.79	3.1
SECTOR AVERAGE	10.17	10.94	18.61	21.99	2.9

International Fixed Interest

Index	1 year (%)	3	5	10	Volatility
United Friendly Far Eastern	10.50	11.17	-	-	1.3
Baring Global Bond	10.20	10.81	16.55	-	1.7
Old Mutual Worldwide Bond Inc	9.70	10.61	14.05	-	2.1
Mercury Global Bond Acc	9.60	10.59	15.08	-	1.7
TSB International Income	9.58	10.41	14.87	-	1.8
SECTOR AVERAGE	9.94	9.85	13.80	16.05	2.0

International Equity & Bond

Index	1 year (%)	3	5	10	Volatility
Bank of Ireland Ex Mgd Growth	10.80	12.52	19.70	-	2.7
NPI Worldwide Income Inc	10.51	12.21	18.28	-	2.9
Cazenove Portfolio	10.36	12.07	18.88	-	2.5
Gartmore PS Long Term Balance	10.36	11.85	19.92	-	2.9
Fleming General Opportunities	11.08	11.72	-	-	3.2
SECTOR AVERAGE	10.27	11.02	17.02	22.48	3.1

International Growth

Index	1 year (%)	3	5	10	Volatility
Profit Technology	10.19	20.16	41.94	56.80	5.1
Edwards Growth	10.00	17.07	22.26	-	6.8
Henderson Global Technology	9.48	15.76	25.12	48.85	6.7
Scott Equitable Technology	10.48	15.00	24.01	42.03	6.8
Serve & Prosper Growth	11.47	14.10	23.22	38.00	3.7
SECTOR AVERAGE	10.04	11.08	18.26	23.07	3.6

Nth America

Index	1 year (%)	3	5	10	Volatility
Hill Samuel US Smaller Cos	12.83	21.23	33.08	66.47	5.2
PM North America Growth	10.82	17.61	32.20	43.47	4.8
Friends Prov American Sm Cos	10.52	17.20	31.08	39.96	5.3
Edinburgh N American	11.59	17.17	30.81	32.99	3.5
Gartmore American Emer Gth	11.09	16.98	29.90	59.07	5.8
SECTOR AVERAGE	10.74	13.89	22.94	29.33	3.7

Europe

Index	1 year (%)	3	5	10	Volatility
Jupiter European	13.55	17.84	30.02	-	3.5
Baring Europe Select	12.82	17.75	25.87	25.59	3.8
INVESTCO European Smaller Cos	12.54	18.11	28.55	25.37	3.5
Gartmore European Sm Cos	11.18	16.00	28.33	25.81	3.0
INVESTCO European Growth	12.29	15.83	26.25	25.36	3.8
SECTOR AVERAGE	10.66	12.72	20.23	22.81	3.1

Japan

Index	1 year (%)	3	5	10	Volatility
Hill Samuel Japan Technology	7.85	11.08	14.32	18.48	6.4
Marlin Currie Japan	8.43	10.59	14.80	-	6.2
North West Japan Acc	7.91	10.08	-	-	6.6
Schroder Tokyo Inc	8.08	10.02	13.97	21.92	5.3
Henderson Exempt Japan	8.22	9.80	12.88	11.12	5.4
SECTOR AVERAGE	7.82	9.54	11.15	13.05	6.4

Far East Inc Japan

Index	1 year (%)	3	5	10	Volatility
United Friendly Far Eastern	9.14	10.49	17.95	-	3.8
GAM Far East Inc	8.87	9.98	16.58	-	4.8
Perpetual Far East Growth	8.98	9.94	25.00	32.94	4.8
Friends Prov Pacific Basin	9.30	9.82	18.15	-	4.7
Abnvest Pacific	8.88	9.81	22.80	35.68	4.8
SECTOR AVERAGE	9.10	9.87	16.38	22.24	5.1

Far East ex Japan

Index	1 year (%)	3	5	10	Volatility
Old Mutual New Zealand	10.35	12.05	20.15	-	4.3
Friends Prov Australian	10.58	12.04	21.08	33.85	5.2
HSBC Hong Kong Growth	12.04	11.85	22.22	54.82	6.5
GT Orient Acc	12.95	10.53	27.40	-	7.3
Henderson Exempt Pacific	10.17	10.43	24.76	25.28	5.5
SECTOR AVERAGE	9.82	9.80	25.65	38.85	6.7

Commodity & Energy

Index	1 year (%)	3	5	10	Volatility
M&G Australian & General Acc	11.80	13.51	22.84	20.08	6.1
M&G Commodity & General	10.44	12.44	21.07	25.73	6.1
Waverley Australian Gold	10.72	11.55	27.81	88.10	10.4
Serve & Prosper Gold & Expt'n	11.07	10.51	24.71	16.32	6.5
Serve & Prosper Commodity	10.15	10.44	19.58	26.10	6.0
SECTOR AVERAGE	9.80	10.58	22.42	19.63	6.8

INVESTMENT TRUSTS

WINNERS AND LOSERS

TOP FIVE OVER 1 YEAR

British National	1,975
TR Technology	1,348
Baring Emerging Europe	1,739
SR Pan-European	1,549
Central European Growth Fund	1,547

FT MANAGED FUNDS SERVICE

Authorized and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (444 171) 873 4378 for more details.

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FT MANAGED FUNDS SERVICE

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (1-44 171) 873 4378 for more details.

OTHER OFFSHORE

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

NORTH AMERICA

UNITED STATES (Dec 27/US\$)

(in millions)

NYSE

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AMSTERDAM (Dec 27/US\$)

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Faster time-to-market, flexibility and customer responsiveness are the key to Rockwell Automation's leadership.

Rockwell

INDICES

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

Dec 17

Dec 16

Dec 15

Dec 14

Dec 13

Dec 12

Dec 11

Dec 10

Dec 9

Dec 8

Dec 7

Dec 6

Dec 5

Dec 4

Dec 3

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Dec 1

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US INDICES

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

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Dec 20

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Dec 17

Dec 16

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Dec -3

Dec -4

INDEX FUTURES

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

US INDEX FUTURES

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

AFRICA INDEX FUTURES

Dec 27

Dec 26

Dec 25

Dec 24

Dec 23

Dec 22

Dec 21

Dec 20

Dec 19

Dec 18

مكتبة الامير

WORLD STOCK MARKETS

Festive mood supports Dow rally Wall Street advance inspires global gains

Philip Coggan, Markets Editor, looks at 1996

AMERICAS

US share prices continued their late-December rally yesterday morning, aided by a strong bond market and the sense of well-being that had settled over Wall Street during the holiday season, writes Richard Waters in New York.

Stocks jumped as the markets opened, though they drifted back somewhat on profit taking as the day progressed. By midday, the Dow Jones Industrial Average stood at 5,651.58, a rise of 15.00 on the day and above the closing record high it hit in late November.

The Standard & Poor's 500 index also advanced, gaining 1.61 to 757.43, although the Nasdaq composite fell 0.88 to trade at 1,298.29 as technology stocks gave up some of their recent gains.

Among the most actively traded companies was Computer Associates, whose shares fell steeply as the company warned that its revenues for the final quarter of the year would reach \$1bn-\$1.1bn, short of Wall Street's expectations of \$1.2bn. Although the company added that it might still reach analysts' earnings estimates, its stock had dropped by \$1.14 or 18 per cent to \$5.04 by midday.

Other technology stocks also slipped back during the morning after their recent advances. Intel gave up 5¢ to trade at \$126, while IBM dropped \$1.74 to \$154.94.

Action by Federal regulators in what was a generally quiet stock market. Westinghouse, which on Thursday received approval from the anti-trust authorities for its

purchase of Infinity Broadcasting, rose 3¢ to \$19.4. And a decision by the Federal Communications Commission not to push for an immediate cut in telephone access charges, which account for between a quarter and a third of the revenues of most local telephone companies, lifted the shares of these companies for the second day in a row.

Among the biggest gains was BellSouth, which rose \$1.24 to \$49.54, Pacific Telesis, which was up \$1.44 to \$38.94, and Ameritech, up 5¢ to \$6.24.

TORONTO continued to make upward progress through a morning session dominated by the trend on Wall Street. At midday, the 300 composite index was up 17.29 to 5,876.21.

Consumer products were the top performing compo-

nent sector, advancing more than 1 per cent with the drinks and entertainment giant, Seagram, gaining 55 cents to C\$5.84.

Among conglomerates, Canadian Pacific dipped 25 cents to C\$36.15, and there was a mixed trend too in mining stocks where Barrick Gold shed 10 cents to C\$39.80.

Financials had a steadier morning session. Royal Bank of Canada improved 36 cents to C\$47.15.

S&P PAULO opened higher with investors warning to the latest inflation news plus a solid profit showing from Telebras, the state telecom group. At 9.9 per cent for 1996, Brazilian inflation for 1996 was the lowest since 1979. At midday, the Bovespa index was up 250 to 69,828.

MEXICO CITY moved

ahead through the early session, helped by early strength on Wall Street and talk of a reduction for interest rates at next week's Cetes auction. The IPC index was 10,730 higher at 3,321.82 at midday.

CARACAS made the strongest showing among Latin American bourses, advancing more than 1 per cent with mid-session with the IBC index up 78.49 to 5,554.64.

Brokers said that news of a sharper than expected decline for GDP in 1996 had little impact on sentiment. Electricidad de Caracas changed hands 1.50 bolivars better at 550.

SANTIAGO gained ground through the opening session with the IPSA index 0.33 ahead at 89.04. Traders said a number of investment funds appeared to be bargain hunting.

The benign environment that gave financial markets such a good run in 1996 largely persisted in 1997. Inflation was low in most developed countries, and economic growth was subdued rather than buoyant. Interest rates were accordingly flat or falling in most of the developed world.

Low rates meant there was plenty of spare cash to invest in financial assets, the most significant factors being the continuing enthusiasm of US private investors for mutual funds and the willingness of Japanese investors to buy overseas bonds and shares. In the Anglo-Saxon economies, companies have been willing to return cash to shareholders in the form of dividends, share buy-backs and takeovers.

Wall Street, in particular, has defied the bears. There are many who felt that, after a 30 per cent plus gain in 1996, the US market was due to take a breather. It looked overvalued on a number of criteria.

But investors took confidence from the "Goldilocks economy" - growing fast enough to allow corporate earnings to rise but not so strongly that the Federal Reserve was tempted to raise interest rates.

Europe also had a good year. The FT S&P Europe (ex-UK index) was up 14.8 per cent by December 20 in dollar terms (23.7 per cent expressed in local currencies), with a rally in the dollar helping exporters in the core hard currency markets of Germany and Switzerland.

And hopes of European monetary union helping the peripheral markets such as Spain and Sweden. Investors also hoped that Europe would experience the same kind of corporate restructuring undergone by the Anglo-Saxon economies.

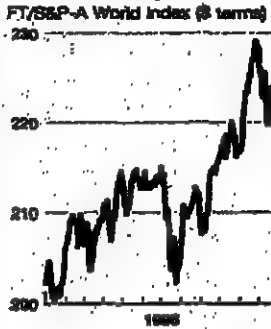
One can divide the year into five phases. In the first, from January to June, the FT S&P World Index moved modestly ahead, in the face of some resistance from the

bond market. The yield on the 30-year US Treasury bond rose from below 6 per cent at the start of the year to almost 7.2 per cent in early July.

July marked the second period. The Dow Jones Industrial Average had continued its merry march upwards in spite of the bond market weakness but, in July, investors suddenly started to worry that the Fed might need to raise rates to head off inflationary pressures.

World equities

FT/S&P-A World Index (5 term)



Source: DataStream

There was a brief, but sharp sell-off in the Dow and world markets fell with it. By mid-July, the FT S&P World Index was 1 per cent lower, in dollar terms, than it was at the start of the year.

However, as the summer wore on, it became apparent that the US economy was slowing and investors came to doubt that the Fed would need to act. In the year's third phase, the Dow rebounded from around 8,400 and surged past the 9,000 and then the 9,500 level, after the US elections confirmed the status quo of a Democratic presidency and a Republican Congress.

The yield on the 30-year Treasury bond dipped to 6.4 per cent, a host of European markets, including Frankfurt and Scandinavia, reached all-time peaks; and the world index showed a 13 per cent gain on the year by end-November.

The overall figures masked big differences in individual market performances. Korea, Pakistan and Thailand all suffered double digit losses; the biggest profits came from Eastern Europe, where shares started the year on very low multiples and from Venezuela, where an apparent change of economic policy allowed the market to catch up with the rest of Latin America.

Madrid wobbles after budget approval

EUROPE

Six bourses ended the week at all-time highs, one or two - such as ISTANBUL - by a whisker. MADRID - by a whisker. MADRID - one of the most enthusiastic in early trading, fell into negative territory before the general index finally closed just 0.45 higher at a sixth consecutive peak of 440.51.

Turnover rose from Ptas47.3bn to Ptas78.4bn. The construction sector was weak after the Spanish parliament approved a 1997 budget which contained public spending cuts that especially affected larger construction companies relying on government projects. Among sector leaders, Dragados closed down Ptas55 at Ptas185 to 845 shares.

AMSTERDAM ended the best of a slow trading day, climbing to an all-time high thanks to a good rise for Royal Dutch and a gain of more than 3 per cent for the paper group, KNP BT.

A firm dollar and continued buoyancy on Wall Street allowed Royal Dutch to rise by Ft1.47 or 1.6 per cent to Ft301.20. KLM was also in demand, adding 70 cents to Ft48.90. KNP BT rose Ft1.30 to Ft36.50 with brokers cit-

THE WEEK'S CHANGES

Index	% Change
Istanbul	+2.9
Madrid	+0.8
Paris	+1.2
Amsterdam	+0.9
Stockholm	+0.8
Zurich	+0.8
Frankfurt	+0.8
Milan	+0.4

survey, rose SKr5.50 to SKr228, and Pharmacia & Upjohn rose SKr7 to SKr275 after a US product approval on Thursday. COPENHAGEN saw foreign buying as the KFX index rose 0.06 to

FTSE Actuaries Share Indices

Index	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31	Dec 31
FTSE 100	1882.10	1882.13	1882.28	1882.40	1882.40	1882.28
FTSE 250	1882.10	1882.13	1882.28	1882.40	1882.40	1882.28

Notes: Data as at 15.00 hours. Source: FTSE Actuaries. All rights reserved. FTSE and the FTSE logo are trademarks of FTSE International Limited.

134.03, but OSE also said that trade was thin as the total index closed 15.96 or 1.8 per cent better at 930.26.

FRANKFURT continued its love affair with the chemicals sector, Bayer leading with a gain of DM1.37 or 2.1 per cent at DM61.57 as the Dax index closed 15.13 higher at 2,852.08. It also liked Daiichi, the shares rising DM1.50 to DM104 on bullish notes about 1997 from its Mercedes-Benz division.

Turnover was subdued at DM5.3bn. In banks, Bayernverein lost ground, falling DM1 to DM62.65 after the industrial and utility group, Viag, revealed it had raised its indirect stake in the bank. Deutsche Bank, which had been seen as a stakeholder ahead of an impending consolidation in the German banking sector, recovered 86 pf to DM71.48.

On the upside, LVHM reached a new high for the year, rising FF300 or 2.1 per cent to FF1,422 in what dealers described as minimal volume. MILAN traded quietly. Olivetti, up L4.40 at L639, was supported by a press report that the company planned to announce the sale of its personal computer business by the middle of next month. Montedison came off L13 to L1,000 after foreign selling

set in following forecasts

of a weak Italian chemical market in 1997. At the close the Mibtel index was up 0.13 per cent at 10,501.

ZURICH ended just below its all-time high, but made a worthy try, the SMI index putting on 52.4, or 1.35 per cent at 3,922.2 after short covering was seen at the 3,900 level.

As in Stockholm, there was strength in the pharmaceuticals sector. Roche rose SKr300 to SKr10,435, and Novartis registered by SKr24 to SKr1,509.

Written and edited by William Cochrane and Jeffrey Brown

SOUTH AFRICA

Shares in Johannesburg closed higher with both industrials and golds gaining ground in quiet trading. The overall index ended up 31 at 6,563.1 following a rise of 31.7 to 7,615.2 for industrials.

The golds index improved on the back of a steadier bullion price, adding 8.2 to 1,495.3. Hartbeespoort added 40 cents to R10 but Vaal Reefs came off R1 to R204.00.

Nikkei recovers after blue chip gains

ASIA PACIFIC

Concerns grew about TOKYO's deteriorating supply and demand conditions but some international blue chips, led by Toyota, fared well and the broad market ended moderately higher, writes Chen Robinson.

The Nikkei 225 average gained 77.48 to 19,369.04, after moving between 19,161.11 and 19,433.64. Traders noted a late wave of index buying by pension and trust fund managers, and continuing downward pressure from margin traders seeking cash to settle six-month transactions.

Volume thinned from 355m shares to an estimated 282m. The Topix index of all first-section stocks rose 6.79 to 1,466.50 and the capital-weighted Nikkei 300 by 1.04 to 279.34. In London, the ISE/Nikkei 50 index rose 0.87 to 1426.02.

Internationally competitive blue chip issues retained their recent popularity, Toyota and Canon both hitting record highs at Y3,200,

up Y40, and Y2,580, up Y30 respectively. Ricoh rose Y20 to Y1,340 and NRG Y40 to Y1,400.

Other electricals and high-technology issues were mixed. TDK advanced Y140 to Y7,680 and Fujiwara by Y20 to Y7,680. Sony, however, fell Y30 to Y7,670. Among blue-chip pharmaceuticals, Sanryo added Y70 to Y3,310 and Takeda Chemical Industries rose Y30 to Y2,430.

Yoshida Japan, the supermarket chain operator, continued to strengthen on bargain-hunting; the day's most active stock, it added Y61 at Y469 after losing in recent sessions on concerns about its restructuring plan.

Financial stocks such as banks and brokers retreated on concerns about tough operating conditions in the year ahead. Daiwa Securities fell Y30 to Y890, Sakura Bank Y17 to Y843 and Mitsubishi Trust and Banking Y10 to Y1,600.

In Osaka, the OSE average added 22.73 to 19,837.18 and volume fell to 13.2m shares.

THE WEEK'S CHANGES

Index	% Change
Bangkok	+2.3
Hong Kong	+2.0
Sydney	+0.9
Tokyo	+1.6

BANGKOK moved ahead strongly on late bargain hunting. The SET index was weak throughout the session, sparking into positive territory in the final 10 minutes of trading. It closed 9.23 or 1.2 per cent ahead at 855.71, in thin turnover of Bt12.2m. Bangkok Bank was the most active stock, falling Bt1 to Bt193. Securities One gained Bt5 to Bt119. TelecomAsia rose Bt1 to Bt54.

HONG KONG closed higher, buoyed by bullish property talk and overnight strength on Wall Street. The Hang Seng index ended up 61.53 at 13,404.14 in seasonally low turnover of HK\$5.65bn. Cheung Kong led the property sector, gaining HK\$1.00 to HK\$69.50. Sun Hung Kai Properties and New World Development

each rose 75 cents, at HK\$95.75 and HK\$101.75.

SYDNEY finished higher in subdued trading, supported by Wall Street's overnight gains. The All Ordinaries index put on 14.2 to 3,365.6. Banks were mixed but resource stocks, mostly moved higher. NAB, which unveiled plans to open in Thailand early next year, eased 5 cents to A\$14.53. Westpac came off 1 cent to A\$7.04 and ANZ gained 1 cent to A\$7.76.

BHP rose 17 cents to A\$17.56 and CRA gained 12 cents to A\$19.55. Woodside gained 5 cents to A\$9.03. News Corp, which plans to float part of its American Sky Broadcasting offshoot next year, gained 7 cents to A\$6.54.

SHENZHEN powered forward, ignoring a lacklustre performance by its Shanghai neighbour. Shenzhen B shares rose by the daily 10 per cent limit, gaining 12.55 to 142.33. The A shares index put on 0.57 or 0.4 per cent to 382.20. Shanghai As and Bs both edged lower.

LONDON EQUITIES

LIFE EQUITY OPTIONS

Call Put Call Put Call Put Call Put

Index	Call	Put	Call	Put	Call	Put	Call	Put
100	100	100	100	100	100	100	100	100

RISKS AND FALLS

On the Rise On the Fall

Index	On the Rise	On the Fall
100	100	100

Data based on those companies listed on the London Stock Exchange.

LONDON RECENT ISSUES: EQUITIES

Issue Date Price P/E Div. Div. Yield

Issue	Date	Price	P/E	Div.	Div. Yield
100	100	100	100	100	100

RIGHTS OFFERS

Issue Date Price P/E Div. Div. Yield

Issue	Date	Price	P/E	Div.	Div. Yield
100	100	100	100	100	100

FT 30 INDEX

Dec 27 Dec 28 Dec 29 Dec 30 Dec 31

Index	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31
100	100	100	100	100	100

FT GOLD MINES INDEX

Dec 27 Dec 28 Dec 29 Dec 30 Dec 31

Index	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31
100	100	100	100	100	100

FT 30 hourly changes

Open 8.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 High Low

Index	Open	8.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
100	100	100	100	100	100	100	100	100	100	100	100

FTSE 100

Dec 27 Dec 28 Dec 29 Dec 30 Dec 31

Index	Dec 27	Dec 28	Dec 29	Dec 30	Dec 31
100	100	100	100	100	100

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Sega cuts forecast by \$41m as power games alter market

By Gwen Robinson in Tokyo and Alice Rawsthorn in London

Sega Enterprises, the Japanese electronic games group, yesterday slashed its profits forecast for the current financial year after announcing a ¥30bn (\$263m) extraordinary loss on its US business and massive stock write-downs on its 16-bit game consoles.

The group, which faces fierce competition in the global market from competitors Sony and Nintendo, warned that pre-tax profits for the year to March 31 would be about ¥11bn, rather than the ¥27bn previously forecast.

Sega also expects net profits to fall below previous predic-

tions to ¥5.8bn (\$46m) rather than ¥10bn (\$87m), with sales slipping to ¥420bn from the target of ¥430bn.

The profits warning followed a midday decision by the Tokyo Stock Exchange to suspend Sega's shares after they fell by ¥50 in morning trading to ¥4,050. The news comes only weeks after the announcement in late November that Sega had returned to profits growth in the first half of this year, fuelled by strong sales of the Saturn, a 32-bit game system, and a printing machine which turns photographs into stickers and which has become a craze for Japanese teenagers.

The Saturn has since continued to sell well, despite Sony having achieved higher sales

of PlayStation, its rival 32-bit system, and Nintendo's successful launch this autumn of its more powerful 64-bit format in North America and Japan.

Mr Shunichi Nakamura, Sega's managing director, expects to sell 1.2m Saturn machines in the US during the current financial year, against the original forecast of 1.1m, and anticipates selling 2.5m Saturns in Japan during the year and 650,000 in Europe.

However, the popularity of 32-bit and 64-bit systems has sapped demand for less powerful 16-bit game consoles - a market also adversely affected by growing demand for personal computer games.

Mr Nakamura said sales of Sega's 16-bit machines had

fallen faster than expected. Hence the group has decided to write off ¥7bn worth of 16-bit console stocks worldwide.

Sega has also decided to take a ¥23bn extraordinary loss in the US, where the shift away from 16-bit systems has been particularly dramatic, and where the group has also been forced to spend heavily on marketing of the Saturn and to cut the Saturn's price to meet the competition.

Despite the profits warning, Sega should still achieve higher net profits than in its last financial year, when it made ¥4.2bn. The group yesterday affirmed that it plans to leave its annual dividend unchanged at the previous estimate of ¥36 per share.

Japanese budget row

Continued from Page 1

cent below its level before the budget was announced last Friday.

Mr Jeff Young, political analyst at Salomon Brothers Asia, expressed surprise that there had been so little conflict between members of the LDP government, given the size of the tax increases. But he believed Mr Sato was too late to make a substantial change to the budget, adopted by the cabinet - of which he is a member - on Wednesday and due to go before parliament late next month.

Miti and the finance ministry have traditionally differed over fiscal policy, with Miti pushing for fiscal expansion and economic growth, and its finance colleagues stressing the urgent need to curb the deficit. However, their debate has been enlivened this year by widely varying assessments of the economic outlook - reflected by a big disparity in forecasts of Japanese growth among private sector economists.

Two fight over superheroes

Continued from Page 1

Mr Perelman still in control. Under the plan, which Marvel's board backed yesterday, Mr Perelman's Andrews Group would inject \$365m of new equity, while its lenders would extend \$160m in all.

The Perelman plan has proved deeply unpopular with Marvel's minority shareholders, however, as well as the holders of the \$300m face value of junk bonds.

A bondholder group led by Mr Icahn has proposed that rights to buy 80 per cent of the steeply discounted shares would be offered first to the bondholders.

South Korean unions call for general strike

By Our Foreign Staff

South Korea's main trade union group yesterday called for a general strike to last until Wednesday as industrial action intensified against the country's new labour laws.

Employment workers joined the walk-out and there were large demonstrations in Seoul and other cities.

The strike called by the normally docile Federation of Korean Trade Unions (KFTU) means that the industrial disruption, which halted production of cars and ships this week, is set to increase, causing lost output of more than \$1bn.

Union leaders said nearly a quarter of the country's 1.5m union members had walked out by last night despite government threats of stern counter-measures against what it regards as illegal action.

The Seoul stock market index fell 1.3 per cent to 661.32, its lowest level in nearly four years. The won closed slightly

Hospital staff join protest at new labour law

higher at 843.70 to the dollar with dealers wary of central bank intervention in this year-end trading.

The strikes are the worst industrial action since the late 1980s and reveal widespread resentment at the passage through parliament on Thursday of legislation allowing companies to lay off workers, increase working hours and introduce substitute labour for striking workers.

Unions said they were angry that the legislation was railroaded through the National Assembly in an unscheduled early morning session behind the backs of the opposition.

The government also used the opportunity to pass another bill, strengthening the powers of the Agency for National Security Planning,

the organisation used to stifle political opposition when Korea was a military dictatorship.

In an attempt to calm the situation, the country's largest employers' group said it would only use the new redundancy powers in an emergency. Mr Han Seung-soo, the finance minister, said the new law would protect jobs in the long term by making Korea's economy more flexible and competitive.

The government hopes its tough line will win support from the broader public. Concern has been growing at the weakness of Korea's economy this year after an export slowdown which is likely to see the trade deficit double to \$20bn.

The unions marked their determination with a 12,000-strong protest in central Seoul. Chanting demonstrators were immediately surrounded by thousands of riot police who barricaded the way to the parliament building.

Lebed pledge over third political force

Continued from Page 1

using as a platform to rebuild his presidential ambitions.

During the presidential election campaign in June, Mr Lebed rebuffed attempts by other opposition politicians to form a third force. But yesterday he said voters saw the political struggle between the communists and "democrats" as a squabble within a semi-criminal regime. The new third force would compel "the bureaucratic elite to respect the interests of society and the state".

Mr Boris Yeltsin, who sacked Mr Lebed as his

national security adviser in October, has been trying to convince Russians he is again in control after his recent return to work. But although he has been speaking more clearly than before his heart operation, Mr Yeltsin still appears extremely wooden in his movements.

Mr Lebed claimed the Home and Motherland movement, which he leads, already had 86,000 members in 73 of the 89 regions of Russia and would broaden its support by forming alliances with other political parties. He suggested the movement, which represents mainly army officers, could

win support from a wide cross-section of society, including businessmen, servicemen and former communist party members.

However, political observers suggest it will be extremely difficult for Mr Lebed to create an effective nationwide political movement because of his lack of financial resources and a media blackout which has denied him much TV access.

Mr Lebed's many opponents will doubtless also try to depict him as a political opportunist who will exploit any party to further his personal ambitions.

THE LEX COLUMN

Industrial jigsaw

Buybacks, demergers, privatisations, demutualisations - not to mention an extraordinary rash of acquisitions. 1996 has been a year rich in corporate finance activity. And, in most cases, shareholders have benefited.

Demergers have been especially in vogue. Thorn EMI, Westinghouse and British Gas have chosen two-way splits, AT&T a tripartite one, Hanson a four-way division, while Hoechst is planning no fewer than six cuts - albeit with the group keeping stakes in most of them. Breaking up conglomerates normally makes industrial sense, and when the process exposes previously hidden jewels it can enrich shareholders too. But not always: with Hanson, for example, the main effect has been to expose the previous destruction of wealth.

Gearing-up balance sheets has also been a largely healthy trend. Britain's banks and utilities have embraced share buybacks and special dividends with particular enthusiasm. Groups with few growth opportunities are right to load themselves up with cheap debt which is more tax-advantageous than equity. Next year Germany, where buybacks are being legalised, could take up the baton.

Privatisation has continued unabated. Even Britain, which has been selling state assets for over a decade, found two chunky companies to sell - Railtrack and British Energy. And the cupboard is still not bare: a brave government would privatise the BBC, Channel 4, London Underground and the Post Office. Elsewhere, with luck, the hyped Deutsche Telekom deal will get Germany's risk-averse investors to strip out duplicated costs. Similar logic applies to the oil sector; witness British Petroleum's and Mobil's downstream tie-up in Europe.

If anything, it is disappointing that restructuring has not been even brisker. Certainly, Shell could do with stepping up rationalisation of its downstream activities. Particularly frustrating has been the European defence industry's inability to match the whirlwind of deals across the Atlantic - due largely to French chauvinism.

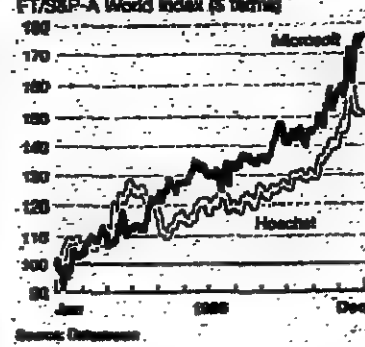
The second rationale for the year's mergers has been the creation of national or even global networks. The telecoms industry, previously fragmented into local or national monopolies, is regrouping across frontiers. So British Telecom is taking over MCI and the US Baby Bells are joining hands. The same logic of providing customers a seamless global service is apparent in airlines: hence British Airways' desire to marry American Airlines.

But good industrial logic does not excuse overpaying - a sin Farnell, a UK distributor, committed in merging with Premier of the US. Nor does it excuse the practice of justifying takeovers by arguing they will enhance earnings per share. That is all too easy to achieve when a company gears up to finance an acquisition. A good reality check is to calculate how much earnings

FTSE Eurotrack 200: 1995.3 (+7.8)

Star performers

Share prices relative to the FT/SE-A World Index (\$ terms)



would be enhanced if the same amount had been spent on gearing-up via a buyback.

Shareholder value

Buybacks, demergers and the like are expressions of a single philosophy - shareholder value. The notion that companies should be run in the interests of shareholders, for long considered a weird Anglo-American concept, is taking root in continental Europe, especially Germany. Daimler-Benz, in the past decade one of the world's great destroyers of value, has this year slaughtered herds of sacred cows - letting Fokker go bust and dismantling AEG. Meanwhile, Hoechst has engaged in a whirlwind of restructuring that has lifted its share price by over 80 per cent.

But even in Germany, the roots are not deep. Such has been the political backlash to "shareholder value" that Daimler now uses a German word *Unternehmenssteigerung*, which means improving the company's value.

Elsewhere, progress is patchy. Though many French chairmen pay lip-service to *le shareholder value*, the government often meddles in private-sector decisions. It was ministers who climbed down in the truck drivers' strike, which should have been employers' business.

Italy, too, has a long way to go. The Olivetti affair was at best a partial victory for shareholder activism. Mr Carlo De Benedetti did resign as chairman, but only after trillions of lire had been wasted. And international investors shied away from the confrontation that was needed to ensure a clean break with the past.

Though shareholders have too often been shrinking violets in 1996, they have chalked up some wins: P&O pulled off a couple of excellent deals after investor pressure; and shareholder disquiet pushed General Electric Company into modifying the underperforming performance element of its new managing director's pay packet.

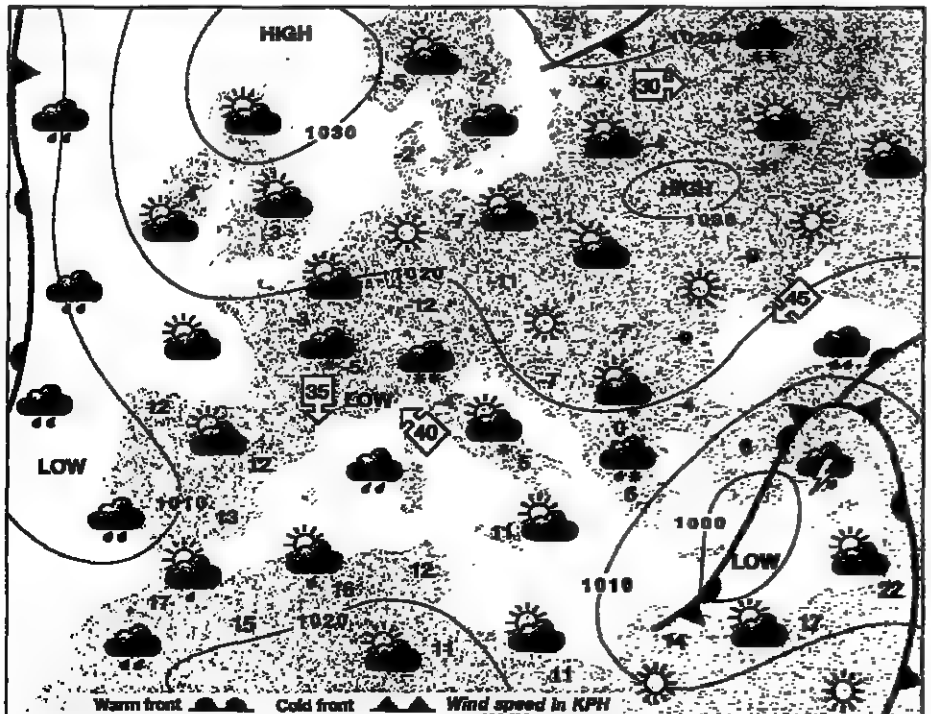
Of course, it is much better if companies pursue wealth creation of their own accord. There is no substitute for raw competitive spirit. And the year has seen few more aggressive exponents of that than Microsoft's Mr Bill Gates. By embracing the Internet, which threatened his software monopoly, he has potentially opened up new frontiers to colonise - enriching his investors in the process.

Europe today

Much of the continent will be sunny as a result of a strong high pressure system. However, Poland, southern Germany and the Czech Republic will have severe daytime frost. The Mediterranean will be cool and rather unsettled. The French Alps and northern Italy will have snow as a small low tracks east. Rain may turn to snow around Marseille. Rain will reach southern Portugal and showers will develop over southern Spain. Heavy rain will continue across southern Turkey and snow showers and a bitterly cold wind will dominate eastern Romania and Bulgaria.

Five-day forecast

At first, cold but rather dry conditions will persist from the UK toward Russia. However, snow will accumulate over Poland, Belarus and the Ukraine early next week. A series of depressions will cause unsettled conditions across Spain, Italy, Greece and the Balkans.



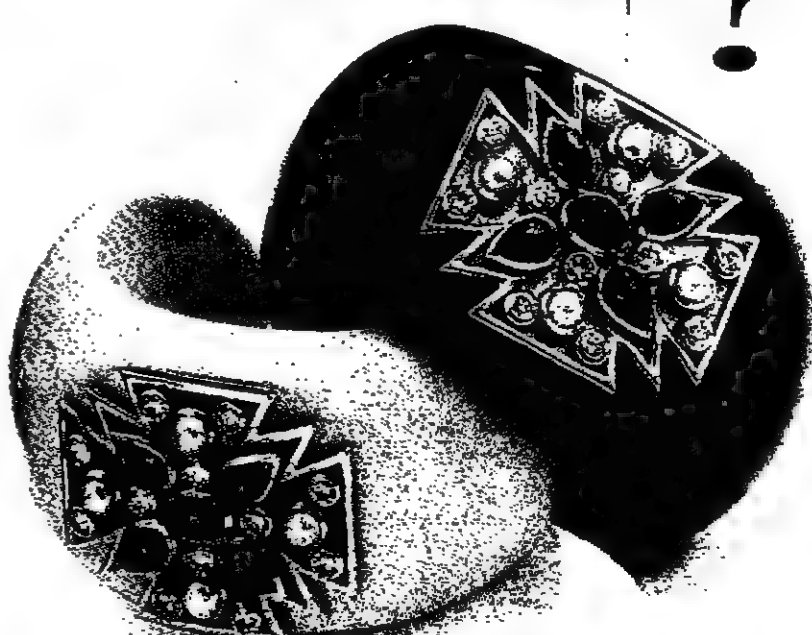
TODAY'S TEMPERATURES

Abu Dhabi	sun 28	fair 5	Caracas	cloudy 30	Faro	showers 16	Madrid	fair 13	Panama	fair 22
Aden	sun 30	fair 7	Cardiff	sun 3	Frankfurt	sun 5	Majorca	fair 13	Reykjavik	rain 6
Algiers	sun 30	fair 7	Casablanca	showers 16	Glasgow	showers 14	Malta	showers 12	Rio	thund 31
Amsterdam	sun 4	fair 23	Chicago	cloudy 8	Hong Kong	fair 21	Mexico City	showers 22	S. Francisco	fair 17
Athens	cloudy 6	fair 22	Cologne	sun 5	Hong Kong	fair 21	Milan	showers 22	Seoul	fair 6
Atlanta	rain 20	fair 22	Dallas	sun 28	Hong Kong	fair 21	Moscow	showers 22	Singapore	showers 30
B. Aires	showers 28	fair 22	Dubai	sun 28	Hong Kong	fair 21	Mumbai	showers 22	Sydney	cloudy 1
Bham	fair 3	fair 22	Dubai	sun 28	Hong Kong	fair 21	Nairobi	showers 22	Tokyo	cloudy 22
Bangkok	sun 31	fair 22	Dubai	sun 28	Hong Kong	fair 21	Naples	cloudy 5	Toronto	drizz 6
Barcelona	fair 12	thund 24	Dubrovnik	cloudy 3	Hong Kong	fair 21	New York	cloudy 9	Vancouver	snow -2
			Edinburgh	fair 3	Hong Kong	fair 21	Nice	rain 8	Venice	snow 1
					Hong Kong	fair 21	Niagara	showers 19	Winnipeg	fair -11
					Hong Kong	fair 21	Osaka	fair -3	Washington	drizz 12
					Hong Kong	fair 21	Paris	fair -3	Wellington	fair 22
					Hong Kong	fair 21	Perth	sun 22	Winnipeg	snow 7
					Hong Kong	fair 21	Prague	fair -11	Zurich	cloudy -6

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Lufthansa

Verdura's Maltese Cross Cuffs
have become as famous as the couturière
he created them for. Was she?



- a. Italian
- b. French
- c. German
- d. French

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By Appointment

Weekend FT

Last week, Sally Bowen was one of 600 hostages taken at a party at the Japanese Ambassador's residence in Peru by a guerrilla group. She tells of her role as witness and participant

An unscripted bit-part player in a televised revolution

His red-and-white bandanna bore the black steel-circled initials of the guerrilla group he commanded. His dark eyes burned with conviction as he spoke of martyrdom and structural violence, of the hunger and misery of the poor and marginalised. He was consistently composed, articulate and courteous. He was the Latin American guerrilla from Central Casting, with the Kalashnikov and the clichés and the nom de guerre Comandante Huerta.

Nestor Cerpa Cartolini was the Peru of the past arriving with his comrades to haunt the present. They had emerged from the jungle into the urban light of Lima, capital of an "emerging market", where the official talk is more of privatisation than revolution. We found ourselves face-to-face in an elegant downstairs reception room at the Japanese ambassador's residence.

Behind us, in the garden, was the evidence that he and his comrades had gate-crashed the party to celebrate the birthday of Japan's Emperor Akihito. The sushi buffet table was upturned, the ground littered with wine and whisky glasses dropped in haste or in fear. The Emperor's birthday party was the place to be that evening. It is a particularly important event in the Peruvian diplomatic calendar and, for the freedomer, a prime opportunity to feed on complimentary sushi and sake. Peru has the second largest Japanese population in Latin America, behind Brazil, also a destination for poor farming families at the turn of the century. But Peru has the only ethnic Japanese leader, outside Tokyo, and has been adopted by Japanese investment and aid agencies.

Government ministers,

military officers and police chiefs had gathered, along with foreign diplomats and most of the Japanese business community. By 8pm the pisco sours and sake were flowing, and the chit-chat included whether President Alberto Fujimori would make an appearance. There was the mandatory frivolous gossip and serious talk about the disappointing performance of the Peruvian economy and the sustainability of the neo-liberal model.

Then, into the midst of the neo-liberals came the old

'Don't lift your heads,' they ordered, 'or they'll be shot off'. I had never felt so mortal

revolutionaries. In a matter of moments, as deafening bursts of automatic gunfire followed a large explosion, there was no doubt that we were under terrorist attack. "This is very bad news indeed," said my neighbour, overhauling in his classic British understatement. But with bullets coming apparently from both sides of the marquee, this was no time for the stiff upper lip or dignity. We flung ourselves to the ground. All around us the elegantly dressed guests were doing the same.

Above the staccato gunfire, strangely disembodied voices announced that we were in the hands of the Tupac Amaru Revolutionary Movement (MRTA). "Don't lift your heads," they ordered, "or they'll be shot off." Eight years in Peru takes a journalist into the dangerous and the frighten-

ing, but I had never felt so mortal. On and off for about 40 minutes we remained under fire and I could not stop myself from imagining what a bullet tearing through flesh was like.

Gradually, journalistic instinct surfaced among the fear. I raised my head a little and took a first look at our new hosts. Three stalked the marquee. Covering the lower parts of their faces were vivid red-and-white bandannas, the colours of the Peruvian and Japanese flag, which contrasted with their sober dress. They were agitated, swinging their battered rifles from side to side, cursing the counter-terrorist police who continued to fire indiscriminately into the residence from outside.

"See what shits they are," shouted one of our captors. "If you die, it'll be because of them."

Although the MRTA is violent and certainly capable of killing, the movement likes to cultivate a humane image. Unlike the infinitely bloodier and cruel Sendero Luminoso (the Maoist throwbacks called Shining Path in English), its leaders have traditionally tried to spread their ideology more through persuasion than the terror of extreme brutality. They are also noted for their respect for journalists and for their intelligent use of the media.

By the time the gunfire ceased and we were ordered to stand up, rehearsing the arguments about the guerrillas' innate humanity had given me a surprising confidence and resilience. For a while, I resisted the indignity of putting my hands behind my head as ordered - it seemed too obvious a capitulation. But seeing everyone else complying, I followed.

It is said that war is nine-parts boredom, one-part action. Being a hostage is similar. For three hours, after being split up into a



A disguised Cerpa delivers the big screen message to passers-by in Tokyo

number of rooms, the hundreds of reception guests sat quietly, talking little, smoking, women comforting each other. There was no panic, just a strange inactivity.

Our boredom was ended from the outside. The police, presumably to harass the guerrillas, fired tear gas into

the residence. In seconds, we were all choking, eyes and throat burning. Again the guerrillas, who had brought gas masks in readiness for the obvious, delivered the usual expletives against the Peruvian police. Again, we were inclined, at that moment, to second their

curse. The guerrilla "mind-ing" our group of about 30 on a landing upstairs thoughtfully brought me a plastic bowl of cold water and gave me his fresh white handkerchief to bathe stinging eyes.

Continued on Page 11

CONTENTS



Collateral Damage: The final part of Peter Tasker's Christmas financial mystery IV-V

Lunch With The FT: Lucy Kellaway meets an expert in health III

How To Spend It: The 'king of cling' is flying high VI

Fashions: Keep your head at the sales VII



Sports: A few magic moments and memories of 1996 XIII

Travel: Living for today in timeless Rome VIII

Food: Triumphs and disasters of the restaurant trade XII

Arts: XIV, XVI
Arts Guide: XVI
Books: XIV
Bridge, Chess, Crossword: XVI
Fashion: VII
Food & Drink: XV
Gardening: X
How To Spend It: VI
Motoring: X
Perspectives: II, III
Property: XVI
Small Business: II
Sport: XIII
Travel: VIII, IX
Weekend Investor: XIX, XX

Joe Rogaly

Millennium squanderama

Has anyone given a thought to what it really means?

Looking forward to the millennium? Forgive me for asking, but this is the season for ridiculous questions. The answer is a lemon. If you ask it in Britain. The outgoing government is leaving a curious bequest, a package of plans to spend money to promote an abstract notion. It will have to be completed by its successor administration. The scheme was devised during the vainglorious years of Tory ascendancy. Conservatives, the ones who mastered the celebrations of victory in Europe and over Japan, think they know about lifting the national spirit.

Fate may slap these dreamers in the face, wake them up, shake them about a little. For it looks likely to be New Labour, possibly a little shopworn by then, that sings the praises of New Britain. We are deep into the iron age. The primary source of finance for the Tory-devised squanderama is the Tory-designed national lottery. The Millennium Commission is one of

its "good causes", a term that places a veil of benevolent intent over the wicked act of enticing people who cannot afford it to buy their weekly tickets.

No one is complaining, least of all Labour. Marx was wrong. Greed, not religion, is the opium of the masses. The expectation is that some £1.8bn of lottery income will be bludged over the next three years to sustain a fantasy nurtured by Conservative ministers over the last decade. It could be more, if the life of the commission is extended to pick up bills that stretch into the next century.

It is already in for £200m, an eighth of its total expected outlay, for a throwaway dome on a derelict site. You can put any price you like on this domed scheme today - £500m, £600m, £700m, whatever. I will merely reply "British Library" and, for good measure, "Channel Tunnel" - cryptograms for "uncontrollable expenditure overruns".

No wonder the likely incoming government, the one whose ministers would

simper with pride at the opening ceremony, has insisted that the project be recast, rejustified. We are, after all, talking about a huge theme-park, with the equivalent of hospitality tents for commercial sponsors.

There are, as ever, count-

In the UK it is not clear that we know, as a nation, where we are going

er-arguments. Only part of the cost is to be met by the Millennium Commission, although that part could grow. The rest is to come from as many private companies as can be gulled into contributing, plus ticket sales and merchandising. There will be a boost to tourism.

When the dome has been reduced to a pile of environmentally friendly remains,

the Greenwich bank of the Thames will still be blessed with a station on the new Jubilee Underground line. An entire peninsula on the river will have been regenerated. Mr Michael Heseltine will beam with joy - if it is not cancelled by his Labour successor.

Let us grant all that. The same could not have been said of the Great Exhibition of 1851. That was a blatant sales pitch for the world's then leading industrial nation. The Crystal Palace, set in 19 acres of Hyde Park, did not last. The boost-for-Britain line held true, up to a point, a century later; we even have the Royal Festival Hall to show for it. Criticised in advance, the Festival of Britain is fondly remembered.

It was designed by a Labour government to enhance the postwar mood. It took the incoming Tories to do the real job, but not with the festival. Their post-1951 economic management turned the country round. It entered the age of "we never had it so good". To some of today's nostal-

gics, that is still true.

We should also acknowledge that the Millennium Commission itself is simply doing what it was set up to do. It is allocating £1bn towards tangible projects, from a national cycle network, through the creation of "community woodlands" to the erection of a fully-glazed bell tower.

Millennium money has become a pot of gold with hands from every parish reaching for it. Not all of this will be spent unwisely. Some of the individual recipients of cheques from the £200m set aside for awards will deserve them.

So what, you may ask, explains the mildly critical tone you may have discerned in the above passages? It is just that the year 2000, marking a particular number of whizzes of this planet around its sun, is either a mere ticking of the clock or a sacred date. If it is a dial on a time machine we might as well have our moment of expensive bombast on any day we choose - January 1 2000, or a year later, or on the anniversary

of the morning Christ is believed to have been born, which is probably five years earlier, or according to any calendar we can find on any database in history.

Again, it is not clear that we know, as a nation, where we are going. Are we to remain the United Kingdom, as the millennium arrangements assume, or are we headed for dissolution into England and a ring of Celtic republics? The question of our place in the European Union remains unresolved. In 1951 Britain proclaimed its acknowledged technical and manufacturing ascendancy. In 1951 it rejoiced in its determination to return to civilised life following a terrible war. In 2000-2001 we will be fiddling over changing computer dating systems, uncertain about anything.

A suitable tribute to mark the 2000th anniversary of Jesus might be the construction of a new cathedral, perhaps one that caters for all branches of the church founded in his name. So far as I can tell, none is planned.

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PERSPECTIVES

The Nature of Things

How to live longer, at least in the lab

Daniel Green on important findings about the life of cells

We could be the last generation to die. This conversation stopper was delivered by a sombre middle-aged scientist at a dinner party this month.

The ensuing silence was brief. What would happen to populations, employment, pensions? Wouldn't boredom tempt people to take their own lives anyway? How could a respected scientist utter such rubbish?

The answer to the last question is easy: molecular biologists are beginning to work out the basics of what happens when people get old.

Some of the most promising observations concern the caps that protect the ends of chromosomes. These caps, called telomeres, wear away a little each time the cell divides. After many divisions they have almost gone and the cell stops dividing.

Cells that do not divide are not replaced when they die. Wounds

heal more slowly in the elderly. Many "senescent" cells do not die, but they do change. In the walls of blood vessels, for example, they seem to encourage blood cells to stick to each other. Sticky blood cells are dangerous. If a clot is big enough, it can lead to heart attack or stroke.

For many years, scientists did not know whether these effects were just a coincidence. Perhaps the telomere shortening was as much an effect of old age as wrinkled skin.

However, earlier this year a team at the University of Texas Southwestern in Dallas accidentally lengthened the telomeres in

some cells. They crossed these cells with ordinary cells, so the hybrids had longer than normal telomeres. The new cells were able to divide more often than their normal parents.

"That means that telomeres are not just clocks measuring the age of cells," says Jerry Shay of UT Southwestern. "It means that the length of a telomere is an important factor in making a cell live longer."

To turn that knowledge into medicine requires a closer look at what happens when cells divide. The division involves the copying of the genetic information in the chromosome, so that

there are two identical chromosomes in the daughter cells. The copying mechanism is a molecule that runs along the length of the chromosome reading its contents.

The molecule stops reading the chromosome when it encounters the telomere. It then sends the readout, in the form of another molecule, to be used in the creation of the new cell.

Unfortunately, the one part of the chromosome that is not copied properly is the telomere itself. The daughter cells are just like their parent except that their telomeres are shorter. So each cell division brings a cell in-

creasingly closer to senescence.

But there are two groups of cells in the body that keep telomeres whole through cell divisions. One group is the reproductive system, where it is vital for sperm and eggs' cells to have full-sized telomeres so that the children's cells live as long as their parents'. The second group is in cancer. Tumour cells can divide indefinitely without damaging themselves.

What these two groups have in common is an enzyme - telomerase - that allows the telomeres to be duplicated in full.

So scientists face a dilemma. Should they try to block telomerase to treat cancer? Or should they encourage it so that cells - and perhaps people - live longer? To most scientists, tackling cancer seems the more promising route.

Cal Harley, chief scientist at Geron, a US biotechnology company set up to exploit telomere knowhow, admits his peers are sceptical about whether telomerase can be used to make people live longer.

"There are worries about how telomerase can be delivered to all the cells in the body, and the realisation that it cannot help non-dividing cells, like those in the brain, eyes and muscles."

Shay says, the way forward could be through an operation to remove cells that cause disease when they become senescent, lengthening their telomeres in the laboratory and putting them back in the body.

Cells at blood vessel junctions are candidates. They need to replicate quickly to replace those that are washed away and as a result their telomeres shorten quickly. Problems at arterial junctions can be a source of blood clotting in the elderly.

The procedure has yet to be proved in principle, let alone through clinical trials. That makes it at least a decade away from becoming standard medical practice.

So if the thought that your children may be immortal while you are not upsets you, be reassured. The chances are that they will die too, although medical science may have advanced far enough for the lifespan of some of their organs to be extended.



On tour in Soweto

Mark Ashurst visits an unlikely new tourist location

The sprawling South Western Township outside Johannesburg has never been like the world's other labour camps. Nor was it meant to be.

The town planners who built Soweto in the 1930s reckoned that if conditions were unimprovable, relatives of the black workers they stored there would choose to stay in the hills. Mercifully, Sowetans are today more welcoming to the rising numbers of white tourists visiting their home.

As recently as 1993, commercial tours of Soweto were limited to a single operator promising a glimpse of the township from behind the bullet-proof windows of an air-conditioned bus.

Today, a handful of entrepreneurs offer tours of its landmarks, shebeens and jazz clubs. "We are taking the fear out of Soweto," says Lancelot Sello, the 30-year-old director of Abantu Tours, which offers day and night visits on demand. His clients are an even mix of white South Africans and foreign tourists.

From its origins as a labour camp, Soweto has mushroomed into Africa's largest city, a settlement of 5m people occupying a densely packed 104 sq km. The overcrowding made a mockery of official efforts to separate different ethnic groups, while the rapid industrialisation of the Witwatersrand gold basin created a new black urban elite.

Sowetans defied both the traditional hierarchy of the rural African tribes and the proscribed segregation of apartheid. In the bloodiest days of insurrection, they led The Struggle - most famously in the student uprising of June 1976. And as the country edged towards reconciliation in the early 1990s, Soweto was the first of the war-torn townships to embrace the notion of a "rainbow nation".

Although very few whites live in Soweto, all 11 of South Africa's official languages are spoken here - plus two more that the constitution-makers forgot. To these, returning exiles have added a range of foreign tongues imported from Sweden, China, Japan and mainland Africa.

First stop on Lancelot's tour is the well-to-do suburb of Diepkloof Extension, about 40km from Johannesburg. Known locally as Prestige Park or Beverly Hills, the area is famous for its faux-mansion houses, brick built specimens worthy of any European executive village.

The most extravagant are adorned with sweeping arches and ornate turrets which suggest an unexpected rococo flourish. Prompted by the reflection of a landscaped swimming pool in the side door of a gleaming BMW sedan, Lancelot explains that the Bavarian marque is Soweto's most sought-after chariot. The acronym stands for "Black Man's Wish, Be My Wife, Baby Making Weather..."

On the far side of a barren yellow field lie the notorious migrant workers' hostels, flashpoints of political violence during the 1980s. Violent crime in Soweto has become less rampant since reforms allowed wives and children to live in what were formerly single sex hostels. Lancelot steers our Toyota

van off the tarred roads towards Diepkloof zone 3, Soweto's biggest squatter camp. A row of uneven murals on the outer walls chronicle the collective consciousness of Soweto. Steve Biko, the black activist assassinated by the security police, is portrayed with Mahatma Gandhi, whose creed of tolerance is reflected in the illustrated text of the national anthem, "Nkosi Sikeleli Afrika" (God Bless Africa). The words have been adapted to include extracts from the old African hymn, "Die Stem".

The most recent mural details "Early Signs of Aids", while another refers to shack dwellers to Matthew, chapter 11: "I will send my messenger ahead of you, who will prepare your way before you."

The next stop is Orlando, where Nelson Mandela Archbishop Desmond Tutu, Ntando Motlana, South Africa's leading black businessman, and the Sisulu family still own homes. Opposite Orlando Hall, where the black supremacist Pan Africanist Congress split with the African National Congress in 1962, lies Orlando Cemetery.

The late Joe Slovo, Mandela's closest white ally and former chief of the South African Communist party, was buried here in January 1995. At Winnie Mandela's mansion, he accelerates quickly past a white Mercedes nosing into the street.

She won't come out if she sees us," he says.

That evening, at a shebeen in the converted garage of Churchill Moebele, Winnie is a favourite topic of conversation.

So, too, is the late of Bantu Holomisa, Winnie's populist protégé recently expelled from the ANC. "Nobody knows what's going on at Shell House [the ANC's head office]," complains one drinker. But in this company at least, there are nods of approval for the controversial decision by Cyril Ramaphosa, Winnie's arch enemy, to quit the presidential race and make his fortune in the business world.

As the "cellular phones" - township slang for pocket-sized gangs of brandy - begin to flow, we savour vintage recordings from Churchill's jazz collection. His most enthusiastic patrons are Africaners, says Lancelot, who wants to build a motel of insulated shacks so tourists can stay the night. "They never want to leave. You have to push them back into the van."

Abantu Tours: PO Box 39377 Yeoville 2149 Johannesburg. Tel: 27 11 648 7066. Fax: 27 11 648 2106.

On the far side of a barren yellow field lie the notorious migrant workers' hostels, flashpoints of political violence during the 1980s. Violent crime in Soweto has become less rampant since reforms allowed wives and children to live in what were formerly single sex hostels. Lancelot steers our Toyota

Sub-window specialist John Rose has doubled the turnover and profits of the Windsor-based Original Box Seah Window Company this year - and he cites the May article in our Minding Your Own Business column as one of the main reasons.

"We have been inundated," he said. "We have increased our staff from 44 to 55, and for the first time our factory is working Saturday and Sunday shifts. Turnover was \$2.8m in the year just ended, twice the previous year - and gross profits are 20 per cent, double that of the previous year."

In spite of the difficulties of recent years, highlighted in the article, Rose was anticipating a good year because of the more buoyant housing market and the end of the recession. However, he regards the FT feature as the turning point.

"The phone was ringing all day for several weeks as a result of the article... We have been rushed off our feet ever since."

In a quieter way, Lakeland-based boat-builder Kevin Halcrow has also had a good year. February's article detailed his five-year battle to establish himself as a builder of traditional wooden sailing craft and his lack of

success in selling the £10,000 clinker-built sailing boat he had built single-handed.

Halcrow believed the future of Lakeland Wooden Boats depended on this sale, but in the event he has sold four other boats and turnover has risen from £19,100 the previous year to £18,500 in eight months, and profits from £1,000 to an estimated £3,000.

"The Weekend FT article attracted several people who were interested in sinking money into my business, but in the event I decided to go it alone," Halcrow said.

He also decided against buying the Lancashire-based glass fibre boat manufacturer he was interested in. "I would have had to have borrowed and I do not want to be beholden to the bank," he said.

In the summer, Halcrow moved to a larger workshop in the same farm complex

outside Kendal. This provides him with more space for restoration work.

"There is good money to be made in repairs and restorations and this is the course I shall have to follow when there are no orders for new boats," he said.

Another company featured in the column has also outgrown its first home. Peta (UK) Ltd, of Margaret Road, Chelmsford, Essex, has moved from the converted farm outbuilding where it started off to a larger building on the same site.

The father-and-daughter company, which supplies and manufactures scissors and garden tools for arthritis sufferers and people with weakened joints, was featured in April.

Director Genny Crockett said: "The FT article gener-

ated 78 inquiries, including ones from Japan and America, and also introduced us to a leading chain of UK garden centres, where we now have a presence."

Turnover has fallen from £275,000 to £220,000, but profitability has risen from 15 per cent to 20 per cent. "This is because we have dropped several of our bought-in lines on which there was a very low profit margin."

"After attending a healthcare and rehabilitation show in Japan in September, sales to that country have risen by 150 per cent. UK sales have suffered because of budget cuts in education and social services, which meant we have not sold so many scissors to schools and hospital rehabilitation departments," Crockett said.

"However, export sales have exceeded 50 per cent of turnover for the first time. Sales to Australia have risen

to \$30,000, or about 30 per cent of our exports. In 1997 it is in our overseas markets that we expect the real growth."

It has also been a good year for Propshop, the Cricklewood-based manufacturer of unusual and exotic props for retailers and the entertainment world, which we visited in January. This year the latter area has helped boost turnover from £2.4m to £2.9m and pre-tax profits from £150,000 to £200,000.

In August it won a £235,000 contract from Warner Brothers to produce and supply some of the best-known characters - Bugs Bunny, Giant Bugs, Daffy Duck, Foghorn Leghorn and several others - to cinemas throughout Europe.

"So far we have gained orders for 100 characters,"

said marketing manager Deborah Finlay. "If even a quarter of the contracts we are currently bidding for come to fruition we shall see a really substantial rise next year."

Propshop has added several other leading high street names to its client list. After 16 years in its former builders' yard home, the company is also on the move - to a canal-side complex in Wembley, north west London.

"It provides better working conditions and more space for our 41 full-time staff," Finlay said.

Devon Farmer John Elliot, whose range of shiny string machines were featured in June, has received requests for details from all over the world, including one from Australia asking if the machine would be suitable for stirring sausage skin mix.

He is hoping to double his previous year's turnover of £40,000, but is still waiting for the big breakthrough.

"The product is beginning to sell itself to farmers as the word gets around," he said.

"However, I am convinced the most interesting applications lie in mining, but I am still at a loss to know how to break into that industry."

under control, he explained the objectives of the attack to secure the release of jailed MRTA colleagues and force changes to Peru's prisons policy. He argued that the government's treatment of prisoners "effectively seeks their physical and mental annihilation".

The Japanese ambassador's residence had been targeted "as an extreme measure, in protest against the constant interference of the Japanese government which supports neo-liberal economic policy and violation of human rights."

"You have to understand the history. It is quite clear that violence in Peru is structural and not just the momentary action of madmen."

In essence, Huerta's arguments and even the aggressive rhetoric differ little from the thinking of thousands of left-wing intellectuals in Latin America. A continent that abandoned the unsuccessful policies of the 1980s and enthusiastically embraced the market econ-

omy and legislative democracy is still asking questions of itself.

Perhaps the new strength of the questioning inspired the MRTA, a movement that had been thought virtually dead and certainly irrelevant. It is possible that the 25 or 30 guerrillas who organised the carefully planned storming of the ambassador's residence is the full complement of available members. It could be a swansong of grand, grotesque gesture that assures a place in the contemporary media and the history books.

From confinement in the residence, I walked, apparently free, into a frontal assault on the senses. The first onslaught came from the Peruvian press, and I then returned naively home to an unexpected welcome.

Briefly, by accident, certainly not by choice, I had become a celebrity. The telephone was ringing, when, unsteady from a kind of delayed reaction and lack of sleep, I stumbled through the front door. For the next 20 hours, came questions,

requests and demands. Programme editors seem to take no prisoners.

Apart from the voracious BBC in its many forms, and a hungry FT, instant news meant calls from Tokyo, South Africa, New Zealand, Malaysia and Dublin. It seemed that every US state

became a sort of fairground. Generators for transmitters thrashed incessantly, satellite dishes of every shape and size were fixed to truck tops and vans.

The wonders of modern communication on display outside contrasted with the scene inside the residence. The use of primitive violence to make a point and the most primitive of living conditions, with no running water or electricity. Here was a special sort of unreality. Satellite communication means that the two or three blocks of the smart San Isidro suburb which surround the residence were projected into any home in the world. The minutiae of the hostage situation transmitted minute by minute live from Lima.

But the most important actors rarely appeared. President Fujimori kept deliberately incommunicado. For four days, the man who learned to use the media skilfully to serve his own purposes, made no statement or public appearance until a terse, tense, televised three-

minute warning to the guerrillas. Inside, the architect of the attack, the commandante, also remained unseen.

The MRTA were careful in choosing the initial hostages for release. They were, in part, selected for communication skills, their ability to convey graphically the harsh reality inside the residence (the overcrowding, the appalling sanitation) and the ideology of their captors.

As more hostages were released came more telling details. Some guerrillas were only 15 or 16, each had kilos of explosives strapped to the waist. But they had moved towards their goal - separating the core players (Peruvian government and military authorities and Japanese businessmen) from the rest.

Long before resolution, this cruel pageant had left indelible marks on its actors - including the unscripted bit-part players, who had presumed that they would always be part of the audience, but were, for once, caught in the harsh beam of the spotlight.

Bit-part player in a televised revolution

Continued from Page 1

The tall, white-haired Japanese ambassador remained calm and courageous throughout. But he looked a lonely figure, shouldering a sense of responsibility for his guests. Humour might help, I thought. "Mr Ambassador, you certainly give memorable parties." Feeble and predictable enough, but it seemed to work. "Yes," he smiled, "no one will forget tonight in a hurry."

By now, with all journalistic functions returning to normal, I was reluctant to leave without hearing what the guerrillas had to say. In their heyday in the 1980s, MRTA leaders often gave interviews, and I put in a bid through my minder.

The request was granted. With dozens of women hostages still queuing up, patiently awaiting their release in small groups, a French colleague and I French colleague and I talked to Comandante Humboldto Huerta Loayza, later to be revealed as their most senior officer.

Unhurried and very much

had a television or radio show seeking "just a few minutes of your time". When, close to exhaustion, I declined to do an interview with CNN, an incredulous producer informed me "but this is your chance of worldwide exposure". All I wanted was a good night's sleep.

In the meantime, the area around the Japanese ambassador's residence had

'Violence in Peru is structural and not just the action of madmen'

become a sort of fairground. Generators for transmitters thrashed incessantly, satellite dishes of every shape and size were fixed to truck tops and vans.

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PERSPECTIVES

Dispatches

A little neighbourly arm twisting

Patty Waldmeir, a returning native, says there is nothing voluntary about volunteering in America

Who, but an American, would adopt a road? Other countries prefer to treat the local highway as a ward of the state. When the tarmac needs looking after, they get government employees - or prisoners - to do it.

But when local roads in the US need mending, the task falls to community groups: under the nationwide Adopt a Highway programme, roads are kept clean and passable by the local high school, the church, or the ladies' quilting club. No self-respecting road remains an orphan for long.

There is a dark side to this tale of American philanthropy, however, which is not often mentioned. Since the days of Alexis de Tocqueville, the 19th century French social historian, commentators have universally praised the almost pathological American penchant for volunteer work. De Tocqueville thought it was the heart and soul of American democracy. No one, since then, has dared to disagree.

But as a returning native -

after 20 years spent in countries which mistreat their highways - I can reveal that there is nothing voluntary about volunteering in the US. De Tocqueville may have thought that all those 19th century burgers were cheerfully associating of their own free will. But I know better: they all had neighbours. And American neighbours can teach any third world dictator lessons in despotism.

Some are more open about it than others. In Lansing, the neighbourly capital of Michigan, the sheriff periodically sends a squad car to pick up various civic-minded citizens. He locks them in a cell with a telephone and 'phone book, and orders them to raise several hundred dollars in bail. They remain there until

charity fund-raising targets are met.

As befits the nation's capital, methods in Washington DC are more subtle. This year my neighbours let it be known that I would be expected to rise at dawn on Thanksgiving day and cook a 20lb turkey for the homeless.

I was given absolutely free rein in the choice of stuffing - though there were strong hints that a sausage dressing would not be amiss - and I had unrestricted control over the question of basting. I could cook the bird in a "bake-in bag", or wrap it in foil, or drape it with butter-drenched cheesecloth. Just as long as I delivered it, duly carved, by noon.

When I rose in the dead of

night, I found lights already burning up and down the street, where other volunteer captives were hard at work cooking hams, or cauldrons of soup, or rolling

The sheriff sends a squad car to pick up civic-minded citizens

pumpkin pie dough. Inspired by this spectacle of muscular American virtue, I resolved to brave clammy turkey skin and malodorous giblets, to stuff, truss

and produce a golden brown bird. It was the least I could do to satisfy de Tocqueville.

But de Tocqueville did not have to cook his turkey in an age of hysterical health scares. He did not run the risk of decimating the ranks of the homeless with bacteria.

So, inevitably, I over-cooked both turkey and stuffing and spent the rest of the day apologising to bemused homeless gentlemen for the fact that my turkey's breast was dry. They ate all without complaint, and even Ruth Long, commandant of our local block association, was charitable

enough to avoid an extended post-mortem. But I knew I would have to do better next time. And somehow, I suspected next time would come all too soon.

For Long - an elderly black lady whose own circumstances are scarcely luxurious - makes sure that everyone who lives in our block of Swann Street gets frequent opportunities to satisfy de Tocqueville. She is never sanctimonious about it, and she never hectors: she relies on good old-fashioned guilt to motivate recruits.

And because of her and millions of other relentlessly charitable individuals, American volunteerism continues to thrive. Because of them, half of American adults volunteered at least two hours a week of their time in

1995 - or at least said they did. But even if the pervasive civic culture encourages lying on this score - for who would dare admit to slothful selfishness? - the figures cannot all be fictitious. According to a recent survey, Americans donated 20bn hours of their time last year, a 4 per cent increase over 1993.

Meanwhile newspaper columnists and politicians will continue to bemoan the demise of civic America. They will continue to cite the seminal 1995 essay called *Bowling Alone*, by a Harvard government professor, Robert Putnam, which uses the decline of the American bowling league to predict the collapse of democracy as we know it.

But every now and then, someone will remind Putnam that it is as difficult to "bowl alone" as it is to play rubber bridge or chess on your own.

Someone will also remind him about adopted highways and charitable turkeys - and about neighbours. And maybe one small voice will say that, even today, de Tocqueville would be proud.

Teresa Hale had warned against the raw fish when we spoke on the telephone, but assured me that otherwise, Japanese food "digests beautifully".

Hale is an expert in such things. She has just written *The Hale Clinic Guide to Good Health*, an illustrated encyclopedia of ailments and remedies. Migraines? The book recommends a cup of cold tea made from rosemary, peppermint, lemon balm, sweet violet flowers and feverfew. Kidney stones? Try energy healing. Warts or verrucae? Try acupuncture. And if those remedies don't work, she can suggest dozens of others that might.

So what's wrong with the fish? I ask when we are seated at the Miyama Japanese restaurant in Mayfair.

"I think there are parasites in it. I can check with the colonic irrigators when I get back to the clinic, and phone you back this afternoon." I laughed, although it was clearly not a joke.

Nine years ago she founded the Hale Clinic, which has grown into a sprawling complementary health supermarket where 100 practitioners dispense 30 treatments ranging from acupuncture to weirder ones such as Butayko, tangent therapy and Ayurveda.

Hale certainly does not look weird. With her long bleached hair and tight fitting, slinky business suit she looks like an older, plumper version of Pamela Anderson. Neither does she seem it: she has the friendly cheer you would associate with someone in marketing or PR.

But when she chose her meal it was clear that she was not so normal after all. "I'll have seaweed and cucumber marinated in rice vinegar, and then the asparagus. Do you have brown rice?" she asked the waitress. "No? Well, white rice then. You see, I'm actually not that strict about what I eat." I said I'd have the fish, and pray my colon was up to it.

Presently, Hale's first course arrived, looking like something dark and knobbly in a sea of green slime. She admitted that the "viscous" could be improved on, but insisted that it tasted fine.

Is it possible to take all this diet stuff too far? I asked. If you feel healthy and happy, whatever you eat must be suiting you?

"People may think they are not doing damage, when in fact they are. You can eat healthy food, but gobble it and not digest it. I tend to eat too quickly," she said, slowly picking at her seaweed. "You should see a nutritionist who would take your history, and an acupuncturist who would know from your pulse if your liver was working properly."

One of her experts would be able to tell me what sort of food suited my stomach. Some people are advised to eat only raw food. Others should eat only cooked. "Everyone is different, and different things work for different people."

Whatever she eats is evidently doing her no harm: of the two of us she looked in far better condition despite being at least 10



Teresa Hale: "We have an image of treating the rich and famous, but it's meant to be as many people as possible"

Lunch With the FT

Raw fish please, but no parasites

Teresa Hale, founder of the Hale Clinic, tries to help Lucy Kellaway appreciate the point of complementary medicine

years older. The trick turns out to involve more than just eating green slime. "I meditate every morning for half an hour, and then do some *gongxi*," she explained.

Some what? "It rouses me, and brings me down to earth. I eat well. This green tea..." she takes a sip. "is very good for your digestion. I occasionally have a Marma massage if I feel tense. I rarely ever feel I have a cold coming on, but if I do I have acupuncture."

It is this casual shopping list approach to health that I find hard to appreciate. The number of remedies seems implausibly large. Take epilepsy: possible treatments include energy healing, acupuncture, allergy treatment, homeopathy and buttercups.

Politely Hale explained that I

seemed to be missing the point of alternative medicine, which is not to tackle symptoms but to achieve harmony and balance overall: if you live by natural laws you will be healthy. Thus, each of the cures is a different way of finding balance.

Then we exchange a few stories. She tells me about some miracle cures. The people whose asthma has been cured by the shallow breathing learnt from the Butayko teacher, the man who has recovered from motor neurone disease, and so forth. In return, I tell her about the lack of success of my own few brushes with alternative medicine. I discount her stories as coincidences and freaks, she discounts mine as the product of poor practitioners.

Faced with my barrage of negative remarks she continues to smile and talk about personal

choices. "You didn't like art therapy? That's fine! It wasn't right for you! You're not a visual person! You have to find out what's right for you."

"You should try Hellerwork."

One of her experts could tell me what food suited my stomach

It's very deep. It restructures your whole body."

But I protest that I don't want my whole body restructured. Our second courses arrive, mine a pretty arrangement of yel-

low and white oblongs, Hale's a mush which looks similar to the first course, only brown.

"Interesting," she declares.

Most of the people she treats at her clinic are those for whom conventional medicine has failed: sufferers from chronic fatigue, backpain, cancer. I point out that they are desperate, and suggest that as such are prepared to try anything.

She will not have it that she is encouraging patients to grasp at straws. "There is a lot more research into complementary medicine than people think. They also forget that there is a level of uncertainty in medicine in general."

Surely some things are more uncertain than others. Take Moor Therapy, which according to her book, involves smearing the body in the black oil from a stretch of

Austrian bog land. She laughs and shrugs. I ask if there are any treatments too wacky to offer.

"One woman came to see me who walks on backs. She ties ropes to a wall and then walks on backs. She had done a six-week course. I know they do this in India and it's successful, but I felt her course was not long enough."

We discussed the absence of any training in complementary medicine in medical school and the reluctance of most insurance companies to pay for the treatments, which at the Hale Clinic cost between £25 and £80 a session. "We have an image of treating the rich and famous, but it's meant to be as many people as possible. I hope eventually we'll be able to get National Health Service contracts."

We are each brought a tanger-

ine on a white plate. I watch as she meticulously peels off every bit of pith. "Business and medicine are not good bedfellows," she says. "You have to put the patient and their treatment first, but you have to make money too. It's very difficult to balance."

She finds the balance so hard that she has given up her former career as a yoga teacher. "It's a different energy. When you are trying to make things happen you push forward. When you are teaching meditation, you are laid back," Hale said.

I asked for the bill, and there was just time for her to invite me into the clinic to try out the new physio-acoustic chair.

She didn't phone that afternoon to tell me about the parasites. But as I was suffering no obvious ill effects I did not call her, either.

Caught in an unwelcome spotlight

Michiyo Nakamoto on the bureaucrats enjoying illicit entertaining in one of Tokyo's old districts

The city lights glow noticeably dimmer as you cross the Kototoi Bridge to the eastern bank of the Sumida river and enter Mukojima, one of Tokyo's few remaining traditional entertainment districts.

Down the narrow streets of the Mukojima karyukai, or "flower and willow world", are entertainment districts are called, quaint shops and discreet Japanese-style restaurants, shielded by high walls or plots of bamboo, can still be found among the convenience stores and parking lots that are increasingly crowding out the old Japan.

In the evening dusk, kimono-clad women hurry to work. They pass small street shrines and lanterns hanging outside the restaurants, evoking an era when men with time and money to spare would cross the river by boat to dine in style and be entertained by geisha.

To most people Mukojima - "the island on the other side" - is an exotic world, irrelevant to

daily life. But recent revelations that elite bureaucrats from several government ministries have been lavishly entertained at Mukojima's expensive *ryotei* - Japanese restaurants - by less than scrupulous individuals, have focused attention on the district.

Most recently the *ryotei* have been identified as the haunts of men such as Junichi Izui, an Osaka oil wholesaler who was arrested last month for tax evasion, and Hiroshi Koyama, a self-made businessman who was arrested for bribery.

The Japanese public has been shocked to read about parties hosted by Koyama and Izui and attended by influential bureaucrats.

Nobuharu Okamitsu, the former vice-minister of the

Health and Welfare Ministry who was arrested this month for taking bribes, and Hiroaki Taya, former director of the Ministry of Finance's budget bureau, who left after revelations that he had been entertained by businessmen in the financial industry, were among countless high-ranking bureaucrats and politicians with a penchant for Mukojima.

To add to the public ire, the recent bribery scandals at key ministries have highlighted the fact that bureaucrats have been entertaining themselves and government party members at public expense. A meal at a *ryotei*, complete with sake and company of a geisha, can cost about ¥70,000 (£370) a head.

"When the Liberal Democratic party was still in absolute power, several members of my

department took LDP party members to a *ryotei* in Mukojima. We did it to please them, so that legislation we wanted to get through the Diet would not come up against problems," said an official at the Ministry of International Trade and Industry.

"I have also heard of MIT people taking officials from the finance ministry out to Mukojima. They do it because the finance ministry controls the budget."

There is widespread disbelief that in an age and city that boasts all manner of refined pleasure, Japan's elite should reveal a fondness for an area with a scandalous reputation; Mukojima is known as one of the raunchiest of Tokyo's seven "flower and willow worlds".

Even in earlier days, Mukojima was considered lower class, in comparison with the entertainment districts of Shimabashi or Ginza, says Kenji Kosugi, a science-fiction writer who grew up in Mukojima. Because of its location far from the centre of town, "Mukojima had to be innovative in order to attract customers". In the past, the *ryotei* of Mukojima displayed their creativity by training their geisha in the kind of skills that more self-respecting geisha would not deign to acquire.

But Mukojima has also managed, in a different way, to show its creative capacity to survive.

As the number of young Japanese women interested in becoming geishas has dwindled, the resulting drop in customers has meant that many *ryotei* have had to close their doors.

Status-conscious establishments have carried on with geisha who are accomplished in traditional song and dance, even as they have grown older and less likely to draw in the crowds.

But, nine years ago, Mukojima's *ryotei* broke with tradition by offering part-time work to attract young women unwilling to make the commitment to a nocturnal lifestyle. They were no longer required to train in the traditional arts, but simply to pour drinks, play games and provide pleasant conversation. As a result Mukojima gained a reputation as a place where young geisha could be found.

The privacy offered by its distant location was another factor in Mukojima's favour.

Japanese politicians and businessmen have a history of making deals in the privacy of a *ryotei*. For the *ryotei*, the patronage of many of its best customers depends on absolute privacy - the most exclusive do not take customers without an introduction.

As more central night spots, like Akasaka or Shibushi, attracted younger crowds and media attention, the seclusion of Mukojima increasingly made it the choice of those wanting to clinch secret deals or, like many a disgraced bureaucrat, just have some fun out of the public gaze.

In response to the outcry, the government has compiled a code of ethics prohibiting civil servants from being entertained by those in the industries they have influence over.

The latest events are bound to effect Japan's flower and willow worlds during one of the busiest seasons. But Mukojima can be expected to produce another innovative solution for survival.

A CHRISTMAS THRILLER

Collateral Damage

A Christmas financial mystery in five parts by thriller writer Peter Tasker, Japan strategist for Dresdner Kleinwort Benson and author of *Silent Thunder* and *Buddha Kiss*.

The story so far:

Charlie hears that her colleague Piers Montagu, an investment manager, is dead. At Piers' funeral are his wife Susan, Charlie, and her assistant, Natasha.

It emerges that Piers had mysteriously made huge investments in aluminium which threaten to bring down Berwick Brothers bank.

Clues have taken Charlie to Hong Kong and a company called Lucky Snake, run by Alexander Wu, who had cultivated close links with the powerful Mitsukawa conglomerate of Japan.

Charlie manages to obtain a computer disk from Wu's house but is caught by a bodyguard dressed as a clown.

The results of the *Collateral Damage* competition will appear in Monday's FT.

CHAPTER FIVE

Charlie tried to yell, but the only sound that emerged was a gurgle. The clown shook her, hard enough to make her dizzy, then squeezed again, his thumbs digging into her windpipe. Charlie kicked and squirmed, eyes swimming, the blood pounding in her ears.

The clown forced her back against the wall, his face just inches from hers. Fluffy wig, red nose, nicotine teeth bared in a grimace. Charlie flailed at his face, and her fingernails left trails in the white greasepaint.

The clown snarled saliva-strings and thrust a hand above his head. A throwing knife appeared in the palm. Charlie wriggled desperately, but the remaining hand had a grip of iron.

"Hold!" A shout from nearby. Instinctively, the clown's head turned. Charlie took the moment and used it, pushing forward from the wall, sending them both reeling off balance. As they tumbled to the ground, she

switched off the phone and said: 'I don't want anyone to disturb us tonight.'

lunged with her knee, using her momentum to drive it home. The clown gave a grunt and doubled up into a ball. Charlie rolled free.

"Charlie! Are you alright?" Donald ran forward, put out a hand to help her up. Charlie staggered upright, sucking in air in huge gasps. She pointed a shaky finger at the clown.

"What's going on?" said Donald. "I've been looking for you everywhere."

Before she could summon the breath to explain, the clown jumped to his feet and charged forward, face contorted with rage. Donald grabbed his arm, swung him round, and smashed his head into the wall.

The clown gave a bellow of shock. Donald pulled him back and did it again, this time harder. The clown slumped to the ground, where he lay motionless, like a giant rag doll.

It took a few seconds for Charlie to collect herself. "That's pretty good," she croaked. "Perhaps you should try kung fu films."

Donald nodded solemnly. "I've been thinking about that," he said. "Does your bank do movie stuff too?"

"We do everything," said Charlie, picking the vegetation out of her hair.

At that moment Alexander Wu appeared at the corner of the house. He gave Charlie an icy stare, then barked at Donald in Cantonese. Donald pointed at the prone figure of the clown and muttered something that sounded vaguely apologetic. Alexander turned to Charlie.

"You again," he growled. "I thought I told you to get off my property."

"Don't worry," said Charlie. "I'm on my way. Donald has kindly offered to drive me to my hotel."

The clown gave a low groan and rolled over on to his back. Trails of blood were running over the white greasepaint. Charlie grabbed Donald's arm and made for the gate.

Donald's Rolls-Royce was cruising through Happy Valley when a call came through on the mobile phone on the dashboard. Charlie's hand closed around it a split-second before Donald's.

"Let me take that for you," she said.

She lifted the phone to her ear. Alexander's voice was buzzing angrily.

"I'm sorry," said Charlie, stroking Donald's cheek with a forefinger. "But your brother is not available now. And he's quite capable of making his own decisions on how to spend the evening."

She switched the phone off, tossed it on to the back-seat, and gave Donald a radiant smile. "I don't want anyone to disturb us tonight," she said silkily.

That worked almost too well. Donald wanted to go straight to his apartment. It was only with great difficulty that Charlie managed to convince him that she had to pick up something essential at the hotel.

Donald waited in the car while Charlie dashed up the steps. As she rushed through the revolving door, she glimpsed him reaching round to pick up the phone. She made a single brief call, finishing it just as Donald leapt out of the Rolls.

By the time he had burst into the crowded lobby, Charlie was already hurrying out through the back exit. She raced across the blaring traffic of Nathan Road, through a warren of shopping arcades, then pulled open the door of a taxi and dived inside.

Ignoring the protests from the long line of outraged tourists, she rapped out her instructions to the driver. Her luck was in - the man had perfect English. Charlie slumped back in the seat and closed her eyes.

Twenty minutes later, she was sitting in Alan Lau's high-rise apartment, a large mug of Irish coffee in her hand. Both of them were gazing at the screen of his personal computer in absolute astonishment.



□ □ □

It was early afternoon in London when Charlie's call came through. The lordly gardener had just returned from feeding the swans. He sat on a stool in the scullery, his mud-caked boots resting on the grate, while Charlie gave a succinct account of her findings.

"You're telling me that Montagu was involved in an organised cornering operation?" he said finally.

"More or less," replied Charlie. "The trading pattern on the disc suggests that Mitsukawa had been manipulating the price for years, tipping off their Chinese friends in advance. But in this kind of operation you always need a patsy - a final buyer who will come in at the top. That was the role assigned to Piers Montagu and Berwick Brothers."

"And what happens next?" "Next, Wu's people will liquidate their positions completely, leaving us high and dry. Since the price of aluminium has completely lost touch with reality, that's bound to provoke a crash."

"Sooner rather than later, I suppose."

"After what happened today, I would say very much sooner." The lordly gardener scratched at a chalk mark on his corduroy trousers. "So what do you suggest we do, dammit?"

"We get there first," said Charlie crisply. "We will take a big hit on Piers' money, which is never coming back. But Wu's people and Mitsukawa haven't cleared all their aluminium positions. We will cover our losses and much more by beating them to the punch."

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Reuters - "Aluminium suffered its third heavy loss in a row, despite calming statements from the Association

of World Metal Users, which described the recent price action as 'purely speculative'."

The plan involved Charlie staying up all night in Alan's flat, gulping down coffee and adding considerably to the revenues of Hong Kong Telecom.

She dealt first in London and then in New York. Using a number of different brokers, she sold steadily, unrelentingly, until the sun rose over the South China Sea.

She dozed for a few hours on the tiny balcony, made a

By the end of the day, aluminium was falling to new lows. And that was just the beginning.

few calls to head office, then when trading opened in London, she was there again. She ploughed money into put options and the profits doubled, trebled - and more - as the aluminium price fell through the floor.

Later on in New York, a large buyer appeared and the market tried to rally. Charlie used the opportunity to short even more aggressively. By the end of the day, aluminium was plummeting to new lows. And that was just the beginning.

"Perhaps so. Still, if there is any way in which I can express our gratitude, don't hesitate and all that. For example, I suppose you know that Denis Moore is

going to be spending a lot more time with his family. If you cared to make an application for his position, it would be welcomed most warmly."

"Not really my cup of tea," said Charlie. "But there are a couple of points that you might be able to help with."

"Your wife is my command," said the lordly gardener with an airy wave of the hand.

"Well, first of all I'd like \$500m."

Charlie enjoyed that. It was the only time that she'd seen the man looking, in one of Piers Montagu's favourite phrases, seriously gobsmacked.

"I'm planning to set up a hedge fund operation," she explained. "Something that would let me try out some rather more aggressive strategies. I wondered if the bank would be interested in using me as an outside manager."

For a few seconds, the lordly gardener studied the back of his well-manicured hands. "What a capital idea, Charlie," he said finally. "In the sad event that you were to leave us, I would certainly value the opportunity to maintain a close relationship."

"Excellent. Oh, and there was one other thing. It's rather trivial, actually."

"I'm glad to hear it." "Your wife is on the Arts Council, isn't she? The reason I ask is that there appears to have been a small oversight in next year's funding plans."

"Often happens," nodded the lordly gardener gravely. "And easily rectified. I shouldn't wonder."

Glancing at the portraits on the wall, Charlie fancied that the one he most resem-

bled was the man at the very top: a bewigged bouncer who had prospered mightily from the Napoleonic Wars.

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In a snowy garden somewhere high above the Kanto plain, the Praying Mantis lowered himself into an open-air bath of ferociously hot water.

Nodding a greeting to the bath's only other occupant, he lay back to contemplate the scene: the cluster of

wooden buildings that made up the spa village, the gibbous moon, the frozen bulk of Mount Fuji in the distance. It was a fine backdrop for the annual "forget-the-year" party of the SIO Club.

Recently the club's gatherings had been getting smaller and less frequent. The graduating class of Showa 10, known elsewhere in the world as 1935, was being progressively thinned out by the passage of time.

Many familiar faces had gone to meet their ancestors.

Still, the Mantis always enjoyed these occasions. They gave him an excuse to reminisce about simpler, better days when human beings could be relied on to act with total sincerity. They also

gave him a rare opportunity to talk on a *honne* basis, without pretence or reserve, to men of the same level of experience and knowledge.

"This was a difficult year," grunted the Mantis, spreading out his stick-like limbs.

"Every year becomes more difficult," said the other man. "Without a guiding hand like yours, this country would already have collapsed."

The Mantis nodded wearily. "But without your help, my efforts would come to nothing. If widely known, this incident could have serious international consequences."

The other man did not deny the compliment. There would have been no point. Partly because of his pale fleshy appearance and partly in recognition of his extraordinary powers of obfuscation he had been given his nickname: the Squid.

An ex-bureau chief at the Ministry of Finance, ex-head of the Fair Trade Commission, and ex-member of the Sumo Association's ranking committee, the Squid had spent the last 10 years as an advisor to a long-established Japanese trust bank.

It was a fortunate appointment. After the collapse of the "bubble economy", he had worked tirelessly to conceal the bank's vast holdings of bad loans and to avert any investigation into what had actually happened to the money.

"I am not a dreamer," said the Squid. "But I can understand the lure of dreams. To bring together Japan and China - the technology, the capital, the people - no force on earth could withstand such a combination of

Continued on next page

سكوا في البحر

PERSPECTIVES

Fishing

My kingdom for a salmon

Tom Fort braves the Arctic weather with a hope and a prayer for Scotland's finest

Autumn salmon fishing is not for the ill-livered. There may be days when the breeze comes softly from the south, and there is real warmth in the sun. But they are outnumbered by those of wind and rain and Arctic cold, on which life for the angler is hard.

For some reason, appeals for sympathy from the vast, ill-informed, non-angling population tend to receive a dusty response. If it is such an ordeal, these unkind souls comment, why do it?

The reason is that on a handful of Scottish rivers - chief among the great, the marvellous Tweed - this is the time of the real salmon run. And men are happy to pay king's ransoms for the chance to endure all that discomfort and get a slice of the action. I am not one of those men, having not even a princeling's ransom at my disposal. But I do have a friend whose house sits a little way back from one of the most famous and productive pools on the middle Tweed. And when he offered me a precious, prime-

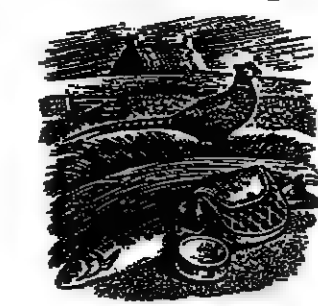
time day, I snapped at it. Before that day, though, there were two other days on a river I had hardly heard of, the gift of another generous chum. The river was the Teith, which flows down by Callender and Doune to the Firth of Forth. It is a gallant piece of fly water, the loveliness of whose valley was something of a surprise in an otherwise unremarkable stretch of country.

The water was much higher than it should have been for good fishing, and many of the pools were out of commission. We were thus confined to two or three more tranquil spots where the late running fish might be tempted to lie up and rest.

There was one in particular, the Dam Pool they called it, a

fine, long sweep of water with just the right depth and weight of current to work a fly properly. Not that I caught anything in it. My friend, however, did, with a regularly which even now perplexes me. He had little to distinguish him from the rest of the pack, except that he fished intently but not obsessively. His casting was efficient, but not outstanding. You would not say that he resembled an expert.

Yet he caught four fish from that pool, the only salmon taken by the party during the week. And he hooked a fifth, which was lost in regrettable fashion almost at the net, as darkness fell on our last day. All in the party fished the same water, but the same flies over the same population of



fish in pretty much the same way, and never got a touch. Our successful friend, however, being a fine fellow, was properly apologetic about the mystery.

to be informed by our host - "a man of notably pessimistic outlook" - that conditions were well high perfect. The water had been high, but had come down to an ideal height. Fish had been showing in numbers. The harvest was ready to be brought in.

That was on the eve of our day. Next morning, I became aware of horrible things happening outside my window. Tree tops were bent. Leaves were flying around in mad dances. Clouds were hurtling from one side of the sky to the other.

Down on the river the violence of the wind was appalling. A moderate sea was running down the pool where the fish were to be found. And herein lay the real snag. The pool had to be fished from a boat, a boat which had to be held in the teeth of the gale by the strength of a man - for tradition runs deep here, and they scorn conveniences like engines.

The man for me was Malcolm, the head ghillie, one of Coldstream's toughest and finest. If I was game, so was he. But was I? I looked out at the foam-topped waves, heard the roaring of the trees, and had my doubts. But how could I back out, with dignity intact?

So out we went, Malcolm at the oars, myself perched on the circular fishing stool, feeling distinctly queasy. My own task, I thought, was severe enough - to get a big, heavy fly on a fast-sinking line out and across the fiendish wind. I thrashed about, and gasped and

cursed, back, wrists and shoulders protesting. I occasionally, very occasionally, delivered the fly to Malcolm's satisfaction.

As for him, I do not know how he did it; nor how he found the breath to berate me genially for my ineptitude. He was stretched to the limit to keep the heavy wooden craft steady as we came down to the lies. Underneath his coat, he was damp with sweat to the skin.

Over lunch we prayed for respite, but respite was there none. I had a pull in the afternoon, a fleeting contact which gave us hope, which the tempest pitilessly snuffed out. Malcolm strained on the oars and I remained silent about my own sufferings. His season begins in February, ends at November's end. Ten months. And I had had just one day.

What oppressed Malcolm was not the hell out on the water, but that it should have all been for nothing. One fish, one proper Tweed salmon in its autumn finery, would have redeemed it all. But it was not to be.

Schemer who shaped Malaya

The biography of Sir Frank Swettenham suggests much is unchanged in 100 years, says Philip Bowring

Kuala Lumpur: The topping out of the world's tallest building has placed this city in the global consciousness. Paris may be more beautiful, Cairo more ancient, New York more vibrant, but the twin 88-storey, 450m towers of the Petronas Centre have handed to Malaysia's capital a record held for a century by America. It also intends to have the world's longest building, snaking along the muddy, tin-rich river which helped to give the city its name and fortune.

Notwithstanding that Guinness is brewed here, this headlong pursuit of places in the Guinness Book of Records may be surprising to those whose vision of Kuala Lumpur is of a green, unburied, garden city. Actually, despite traffic jams and bouts of pollution it still is - at least compared to its Asian mates such as Manila, Bangkok, Jakarta.

But this is an upwardly mobile city if ever there was one. Less noticed than the Petronas Centre is the fact that this year was the centenary of Kuala Lumpur becoming the capital of the British colonial construction known as the Federation of Malay States (FMS in imperial parlance), the forerunner of modern Malaysia.

The conversion of what was the city's racecourse into the world's tallest building is a monument to the drive of Malaysia's prime minister, Dr Mahathir Mohamed, to industrialise



Kuala Lumpur in the early 1890s consisted of the huts of Chinese tin miners

his nation. But to those of a historical bent it is also a reminder of how far Malaysia has moved, not just during Mahathir's 15 years, not even since independence in 1957, but since a 21-year-old Frank Swettenham arrived in Kuala Lumpur in 1872.

It then consisted of the huts of Chinese miners extracting alluvial tin from the land around the Klang and Gombak rivers. It was effectively ruled neither by the Sultan of Selangor, in whose state it fell, nor by his British "protectors". Rather one Yap Ah Lay, otherwise known as Kapitan China, exercised effective if brutal authority over Chinese "tin rush" gangs and assorted fortune seekers and camp followers.

It may be politically incorrect to mention the role of colonial rulers in the destiny

of modern independent states. But a timely reminder has come in the publication of the first full-length biography of Sir Frank Swettenham. Between his arrival in Singapore in 1871 as a junior official in the Straits Settlements and his departure as governor in 1903, Swettenham made way in the 1970s for Port Klang, at the mouth of the Klang river downstream from Kuala Lumpur. He would scarcely resent this. His fluency in Malay and ability to get along with most of the sultans was a key to his success.

Another name linked to Swettenham does survive - the Highlands and Lowlands plantation group of which he was a founder. It also forms the connection between Swettenham and his biographer, Henry Barlow, son of

the founder of the Barlow estates agency with which Highlands and Lowlands was associated.

Barlow's 780-page study of Swettenham suggests many things have not changed on the Malay peninsula in the past 100 years. Dubious commercial deals, sex galore, official arrogance, endless politicking and much partying go together with boundless optimism, immense energy, an explosion of development and the subordination of racial antagonisms to the pursuit of general prosperity.

Barlow includes much hitherto unknown detail about the scandals of Swettenham's personal life, particularly involving his popular, but highly-strung first wife - Sydney. Both parties were promiscuous and she had a still-born child by

another man. He failed in his first attempt to divorce her, but finally succeeded, when he was 67-years-old, after she had been committed to an insane.

At one level Swettenham was an archetypal colonialist. He pushed for encroachment by the British on the affairs of the Malay sultans and furthered British and immigrant Chinese commercial interests at a time when tin was a boom metal and plantation agriculture offered boundless opportunities. But the changes to which he contributed transformed the peninsula from a sparsely populated fringe of the Malay world into a modern state at its centre.

He created the idea of the FMS (initially there were four members), sold it to London and the sultans and became its first resident-general. And his scheming also later resulted in the northern Malay states being detached from Thai suzerainty, making it eventually possible to create a single Malay political entity out of the nine sultanates plus Malacca and Penang.

Modern Kuala Lumpur is a tribute to Malay as well as Malaysian advance, to Malay progress without colonial administrators or immigrant Chinese gang bosses. In spite of the sometimes stern admonitions of Dr Mahathir and occasional intrusions of religious zealots, it is a relaxed and ebullient place in a way that perhaps only truly multicultural cities can be. Sir Frank and Kapitan China would feel at home.



Sir Frank Swettenham helped transform the peninsula

A CHRISTMAS THRILLER

Collateral Damage

From previous page

power. The arrogance of westerners would be broken for ever.

"Dreams fade at the coming of daylight," said the Mantis, bony knees tucked under his bony chin.

"This joining of power that you mention may happen or not. We must weigh the balance of advantage step by step. Irresponsible acts must certainly not be allowed to risk all that has been achieved."

"And what happens to the dreamers when their dreams are broken?"

"They must be broken too. With great discretion, of course."

The two men fell silent. After a while the Squid hauled his rubbery limbs out of the bath. His wooden sandals went clipp-clapping up the path, leaving the Mantis alone with his thoughts.

□ □ □

Bloomberg - "After 10 days of turmoil, an uneasy calm returned to the LME yesterday. Aluminium was quiet, and traders reported little interest on either the buy or the sell side. 'It looks like the panic is over,' according to one nervous trader."

Reuters - "Trading in the metals markets was lethargic for the second day in a row. Chartists are tentatively calling a bottom in the aluminium price, which has now retraced all the gains of the past two years."

Metals Newswire - "Metals prices slid again yesterday after traders heard of the death of Ichiro Sawaguchi, one of the most influential figures in the commodities market. According to a spokesman for Mitsukawa Corporation, Mr Sawaguchi was a victim of 'karoshi', or death from overwork. The pressures of the recent recession have resulted in an increasing number of 'karoshi' deaths among Japanese salarymen."

Unusually, Natasha was going to miss the office party the next day.

"It's my mother," she explained to Charlie. "She's had some kind of a fall. I have to go back to Moscow."

"Oh no! I do hope it isn't anything serious."

"No too!" said Natasha, heaving a sigh.

"Anyway, I've got to go straight away. I'm on the four o'clock flight."

She looked paler than usual, seriously rattled in fact. A hug, a peck on each cheek, then she was rushing out of the dealing-room, leaving nothing behind but a cloud of Chanel No.19.

And also one other thing. A scrap of paper on the floor that she must have dropped when stuffing travel documents into her handbag. Charlie picked it up. There were a few words in Natasha's scribbled handwriting - a hotel name, a room number, a phone number. Charlie ran to the window.

There was Natasha down below, arm in the air to hail a cab. Charlie shoved the window open and was just about to shout down into the roar of the traffic when suddenly something glanced at her memory. She clicked at the scrap of paper again to be sure.

Then she closed the window, walked slowly back to her desk, and spent the next 10 minutes staring at a blank Bloomberg screen.

Finally, she picked up the phone.

At nine o'clock the next morning, Charlie was on a flight above the North Sea, the FT on her lap. She skimmed through the news. Commodities markets were finally stabilising. Ken and Eddie couldn't agree again, and Lex was still bearish on sterling. In China, the son-in-law of a top party official had been arrested for unspecified "anti-patriotic activities".

In Japan, Mitsukawa Construction was being investigated for bid-rigging, executives of Mitsukawa Department Store were

Natasha peered through the peep-hole at Charlie's bowed head, then undid the chain

reported to have made large pay-offs to organised crime groups, and Mitsukawa Electric Industry had been ordered to recall half a million "potentially hazardous" air-conditioning units. All in all, not a good day for the Mitsukawa group.

But as far as Charlie was concerned that was all finished now. The only problem left was Natasha. She was a wonderful girl, vivacious and intelligent, but with serious problems in adjusting to life in the west. After three years in the City, she still couldn't tell a Zhiryovo from a Zhirynovsky.

Charlie took a taxi from Schiphol Airport to the Hotel

Europa. She remembered the place well from the high-yield bond conference that she had attended there three years ago. It had a sumptuous Art Nouveau decor, including some of the finest Jugendstil stained glass in Europe. One of her colleagues had accompanied her on that trip. He had made joke after joke about the blue movies on the pay-TV system.

"Miss Natasha Orlov?" said the young desk-clerk in perfect Euro-English. "Yes, she checked into one of our suites last night at 10 o'clock. Shall I call up to the room for you?"

"That won't be necessary, thank you," said Charlie, and made for the lift.

At the third floor, the splendid wrought-iron door slid open to let in a young waitress. She was wearing a rather coquettish lace hat and pushing a trolley loaded with food and drink: two bottles of vintage champagne, caviar and blinis, a basket of croissants, also a copy of the Daily Mail.

At the 10th floor, the waitress held the door for Charlie, then pushed the trolley out into the corridor. Charlie waited for her to pass.

"You're going to number nine-one-nine, aren't you? That's my room. Let me take that thing for you."

The waitress looked dubious. "I'm sorry Madam, but our rules say..."

Charlie produced a 100 guilder note and slid it without resistance into the waitress's top pocket. Then as an afterthought: "I wonder if I could borrow that cute hat too. It's our honeymoon, you see."

She smiled brightly and took another 100 guilder note from her wallet. The

waitress gave a little giggle. "Ah yes. In Holland we understand such things."

Charlie slipped on the hat, then pushed the trolley down the corridor, giving it a good rattle when she arrived at room 909. She knocked on the door.

"Wait a moment," said Natasha from the inside. She peered through the peep-hole at Charlie's bowed head, then undid the chain. Charlie wheeled the trolley inside. Piers Montagu was lying on the bed in a white flannel dressing-gown watching an Oasis video on MTV. He didn't even look up until Charlie pushed the trolley against the wall.

"Hello, you bastard," she said.

Piers sprang to his feet at the sound of her voice. Then he sat down again on the bed, a smirk of little-boy triumph spread across his face.

"Yo, Charlie," he said in his plummy accent. "Merry Christmas, kid."

□ □ □

"I don't get it," said Amos. "Whatever possessed him to do something like that?"

Charlie fitted a walnut between the silver jaws of a nut-cracker. "The same as what motivates all investors - fear and greed. The whole thing started when Piers was a warrant trader in Tokyo in the late eighties. He got caught mispricing trades for a big corporate client and diverting the profits to his personal account."

"And that client was a Japanese trading house?"

The walnut shattered with a sudden crack. "That's right. Mitsukawa realised something fishy was going on and called him in. Piers begged them to hush it up,

which they did. Then six years later they needed someone to help out with a little money-laundering scheme. Piers had no choice but to agree."

Charlie handed Amos the plate of mince pies and smiled encouragingly. She had asked her mother for the recipe the night before.

"That's fair, I suppose," Amos said, lifting a pie from the plate and gazing at it.

"What about the greed?"

"Ah - that was Piers' one stroke of genius. He knew that disaster was looming, and he reckoned he could

Ice-bucketed in the kitchen was a magnum of Krug 1969, courtesy of Piers Montagu

make money out of it. What he did was to set up a Liechtenstein Trust for himself and use it to go massively short of the bank's own stock."

Amos sniffed at the pie dubiously. "I'm not sure I understand," he said.

"Shorting means selling stock you don't own. So you have to be pretty confident that the price is going to fall - just as I was with aluminium."

"Well, from Piers' standpoint this was a surefire winner. When the bank got wiped out by the aluminium losses, the share price was bound to collapse. On the size of his position, Piers

would have stood to collect at least \$20m."

"£20m?" mused Amos, nibbling tentatively at the crust. "That would buy quite a few Henry Moores, not?"

"But first of all he needed to disappear," went on Charlie. "So he made Susan get the right sort of body from the teaching hospital where she worked. Then they dressed it up in his own clothes, set the fire around it, and Susan was there to identify it the next day. All very neat."

"Charlie, you're a genius. How did you work all that out?"

"He told me most of it himself, and Natasha told me the rest. You see, when the bank survived the aluminium crash, Piers' £20m pay-off went up in smoke. He got in touch with Natasha to find out what was going on. When she told him, he knew he had to come up with a Plan B pretty damn fast."

By now Amos was chewing his pie with honest enthusiasm. Apparently he had never tasted one before in his life. Given Charlie's rudimentary pastry-making skills, that was just as well.

"So what was his Plan B?" he mumbled, mouth full.

"To milk the situation for everything he could. He'd already been on to Cliff Maxwell, the public relations fellow. According to Piers, they discussed a book serialisation in the Sunday Times, a docu-drama deal on Carlton TV, an interactive CD-Rom, God knows what else. Meanwhile his lawyers have been working on a temporary insanity defence."

"That's just not on..."

Amos sounded genuinely outraged, and Charlie loved him for it.

"Just what I thought. So I

told him that he'd better keep his head below the parapet for the foreseeable future. Or else he would have problems of an extremely structural nature."

"Meaning what, exactly?"

"Meaning that some powerful people in east Asia would be given the full story. And seeing how they silenced the nines, that was no idle threat. In fact I rather spoiled his Christmas, I fancy."

Amos gave a grunt of approbation and dabbed at the last crumbs with his finger. Just then the telephone rang. Charlie picked up the receiver and handed it to Amos. Then she watched as his bemused expression was replaced by a huge smile.

When he put the phone down, he gave a whoop of delight and lifted her in the air by the waist.

"Has something happened?" asked Charlie, innocently.

"That was gallery I told you about. They're going ahead with the exhibition after all!"

Charlie smiled. "That's wonderful news. You're on your way, Amos. Ninety seven is going to be the breakthrough year for you."

"No, it's going to be the breakthrough year for us," said Amos, his eyes alive with excitement. "I mean, what's the point in waiting any longer?"

"Waiting for what?" said Charlie. She had a good idea of what Amos was working up to say, and she was well prepared. Securely ice-bucketed in a kitchen cupboard was a magnum of Krug 1969, courtesy of Piers Montagu. For as Confucius himself might have said: "The smartest monkey waits for the persimmon to ripen, then gets someone else to peel it."

All chequers and companies in this novella are fictitious.

HOW TO SPEND IT / FASHION

Laughter keeps Alaia flying high

Marion Hume meets a fiercely independent designer who has found fortune despite his refusal to join the hoopla of the couture ranks



From left:
☐ Flecked tweed tailored jacket with matching trousers, price on request. Available from Azzedine Alaia, 18 rue de la Verrerie, 75004 Paris (33-1-42 72 19 19)

☐ Cropped mator-style jacket encrusted with beading. Available in leather from Joseph, 16 Sloane Street, London SW1 (0171-235 1991), and 77 Fulham Road, London SW3 (0171-823 9500), £4,435

☐ Stretch, sequined sporty dress with mirrored hem. Available from Joseph (as above), £1,995

☐ Full-length silky shift dress, of viscose knit embellished with sequins. Available from Joseph (as above), £3,985

Illustrations: Richard Gray

Fashion insiders have begun counting the days until the haute couture shows in Paris next month. It promises to be the most exciting season in years. There is the British duo, John Galiano and Alexander McQueen, taking on the challenges of Dior and Givenchy; the mighty House of Chanel expected to go from strength to strength; and names familiar at ready-to-wear, including Jean Paul Gaultier and Thierry Mugler, attempting French fashion's heights for the first time.

One talent will be missing from the proceedings, however. When the governing body of haute couture decided recently to relax some of its more arcane rules, it was hoped that a designer who has long merged handwork with industrial techniques could be encouraged to join in.

But the fiercely independent Azzedine Alaia has chosen to remain apart, and reveal his next collection when he is ready. Women who are Alaia devotees will, as ever, be prepared to wait.

A dozen years on from when he was deemed to be at the epicentre of fashion, his customers are still happy to tolerate his caprices and pay high prices for his immaculately constructed clothes.

The reason is simple: talent. Alaia, who made his name as the "king of cling"

in the 1980s, works long and hard at a style that is constantly evolving. Nowadays women with fantastic figures have learned to buy his expensive clothes not singly, but in multiples, for with Alaia, it really is a case of here today, gone tomorrow. He believes men should look dowdy (he wears Chinese pyjamas every day); that they should give their money to women to look superb. Judging by the speed with which his clothes leave Joseph shops on Saturdays, there are many men and women who share his view.

He lives and works in a converted mattress and clock factory in the Marais district of Paris, surrounded by assistants, well-groomed cats and fluffy dogs. He moved in at the height of his fame, but even though money was needed to patch up the run-down building, he refused to follow the corporate line and turn his name into a brand name. There have never been Alaia perfumes or Alaia eyeshadows.

Only now, when he can do it in his own way, are there licensing plans to introduce eyewear, perfume and jeans collections before 2000. In the 1980s, those licenceses who wanted to jump on the Alaia bandwagon were crying out for him to broaden his offering. When he refused, there were many who said he had missed his big chance. Behind his back, they called him "Has Been Alaia".

Not that the designer who arrived in Paris from Tunisia in the 1950s cared then, or cares now. Ten years on from the publication of a piece entitled "The Rise and Fall of Azzedine Alaia" in the powerful trade bible, *Women's Wear Daily*, the designer labelled a yesterday's man is laughing - something other designers rarely do.

Those who did join the superleague are weighed down with responsibilities: of main line, cruise line and diffusion collections to produce, and licenceses, shareholders and journalists to keep sweet. Not so Alaia, who only designs clothes for women and even then not necessarily for two collections a year.

And having a journalist around is not a corporate chore, but the chance to play jokes and tell stories.

But there are serious questions to be asked. Does Alaia, who was never seduced by the huge hoopla fashion show, feel vindicated now that designers from Saint Laurent to Calvin Klein are following his lead and turning away from the big productions?

"Those shows never made sense. They were not to the advantage of the clothes and why have all that pressure?" says Alaia, smiling. "I refuse to suffer. I've never suffered in my life because I'll keep that for when I'm old. I never let people impose upon me. If they try, I don't listen. Even if I deliver very late, my clothes sell."

"The supermodels," who are extremely wealthy women, are among his customers. They used to get the clothes for free, in return for modelling in Alaia shows when they were small-scale and private affairs.

"But now, they buy. They love the English style. I love the crabbiness, the dottiness. For that, I also love Vivienne Westwood [to whom Alaia let his premises for shows when she was trying to establish her name in Paris]. I admire her work, she knows such a lot about fashion, she knows about cut, about history, about painting, she really has an eye. When I like people I try to help them."

He also likes to play tricks on them. The supermodel Linda Evangelista stopped talking to Alaia after she was called out of bed at 3am for an urgent, last-minute fitting on the eve of a Chanel show. Except there was no fitting and the door was locked. "But I didn't do it. I just gave someone else the idea to do it..." giggles Alaia.

A recent prank target was Narcisco Rodriguez, the designer at Cerruti who created Carolyn Bessette Kennedy's wedding gown. "He invited us for dinner and then on the night, an hour before, I telephoned and changed my voice and said, 'I am Mrs so-and-so, Avenue Foch, and I'd like to send my car and order some dresses'. So he cancelled our dinner. I let him get very uncomfortable before I admitted anything. But everything I say about the Queen Mother, that's not a joke. I would never joke about her."

As to why Azzedine Alaia has not been in any hurry to cash in on the considerable power of his name, he says it is partly because he hates money. "I don't want to be rich, because afterwards I'll be sick because I'll have to leave it all behind to those who have said, 'Let's push him harder so he drops dead'. I don't want that," he says.

Despite having built a reputation on tight-fitting clothes, Alaia adores older women. His favourite is the Queen Mother, whose portrait has pride of place on his pinboard. "She is the most elegant woman. So what if perhaps now she does not have a corps sub-

lime. She possesses the epitome of an English sensibility, with those colours, those floral prints, far more chic than Lady Diana."

"I would adore to dress her. I would do just as she wanted, with the same prints; staying faithful to her image and the inspiration of the English garden," says Alaia, who is delighted by an anecdote about the Queen Mother possessing only three handbags - one in white, one in black and one which can be covered, and recovered, in fabric to match her outfit.

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Despite having built a reputation on tight-fitting clothes, Alaia adores older women. His favourite is the Queen Mother, whose portrait has pride of place on his pinboard. "She is the most elegant woman. So what if perhaps now she does not have a corps sub-

ness that Alaia resists labelling "couture". "What I do is between machine and the hand. Sometimes things are better by machine. This is industrial - I'll do maybe 800 of a sequin dress (instead of the maximum of six as haute couture rules decree)."

As for when the next creations in a long career will be revealed, we will have to wait. Alaia says it will be when he is ready.

In the meantime, the current collection, which is neither for winter nor summer, but simply desirable if you can fit into it, arrived in London a few weeks ago. As usual it is selling swiftly. Those in search of a sexy siren sheath of cling-and-hold knitting topped with hand-stitched sequins, or an embroidered leather jacket that is cut with a compass should put a skip in their step.

Azzedine Alaia's clothes are only available while stocks last.

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مكتبة الأصيل

HOW TO SPEND IT

Keep your head at the bargain bin

Susan Irvine urges caution at the sales, an event which can transform perfectly normal women into vicious, wild animals

Like being invited to dinner, just as you return from a six-course lunch, sales pop up when you are suffering from shopping indigestion. But like that free dinner, they seem too good to miss. Cashmere slashed? Crockery smashed? Dolce e Gabanna: but pay only for Dolce? We're out there only a few days after the Christmas maelstrom, dragging our shopped-out psyches kicking and screaming back into the stores.

Every year, women up and down the country resolve "not this year". Every year, they recant and hurl themselves into the battlefield that is the Harrods china department, beating off lethal grannies wielding umbrellas and shopping baskets full of bricks.

Marko Matysik, courier and personal shopping adviser, has sworn off sales for ever after avowing that "perfectly well-brought up English women turn into vicious, instinctive wild animals at sales time: they're like the Maenads looking for stags to eviscerate". He adds: "Little old English ladies seem to strap stilettos on to their elbows specially for the sales."

It is true that even Kate Moss cannot have elbows as sharp as some of the objects that get inserted between your ribs as you are stretching for the Wedgwood cups at this time of year.

"The thing is, we are a nation of bargain hunters," says Rita Brittain, owner of one of Britain's best designer stores, Pollyanna in Barnsley. "Sales don't seem to have the same effect in France or Italy."

Other countries do, however, hold brilliant sales. In New York prices are slashed by up to 75 per cent, and women approach the event with military precision, set-

ting up sales "map-rooms" in the kitchen with little pins stuck into Bloomingdales and Barneys, opening times (0900 hours) and routes between bargain hot spots plotted in red.

At least, they do not queue up the night before with a thermos full of Tetley's and a camp-bed. Shopper's shame to want that fridge-freezer enough to sleep on the streets for it. I have certainly never known any of my friends admit to it, however desperate they are for that Ralph Lauren velvet coat.

Strange that the nation which invented the notion of embarrassment is not covered in shame at chaining ourselves to the portals of Harrods in the cause of cut-price consumer goods. Given that we are not, perhaps we will soon adopt another American sales custom, which has the advantage of being very practical.

"When I worked in America," recalls Deborah Shaw, Harvey Nichols personal shopping guru, "women would come into the stores at sales time wearing huge coats. When they reached the rack that interested them, they dropped the coats. All they were wearing underneath were exercise leotards."

Imagine the average British woman rifling through the rails in nothing but Damart and Reeboks. But if you have the chutzpah, it is a great tip. You do not have to queue for fitting rooms, and you do not get exhausted constantly divesting and re-vesting yourself of layers of clothing. You can just drop and shop in a nan-o-second.

Not that Deborah Shaw is advising this as a sales strategy. Her advice is the opposite of what you usually hear: "The sales are a fantastic time to buy something

outrageous you wouldn't consider at its normal price."

Her tip for the Harvey Nichols sale is the Ann Demeulemeester asymmetrical dresses, one-shouldered, chopped about, and maybe slashed across the chest. "Imagine if your husband is used to you in your basic black and pearls and you turn up in one of these: fabulous." Fabulous it may be with someone like Shaw to guide you at this time when the expression "shopping trip" takes on distinctly psychodelic overtones. Not so great for those, like the mother of a friend, who ven-

If you have the nerve, the best way to approach the sales is like a game of blackjack

turned into a Glasgow store with her charge card and emerged with a full-length designer gown featuring a parrot down the front - in feathers.

Why oh why do we lose our heads at sales time? Why when we see two or three women snatching pink crocheted hotpants from the bargain bin do we feel that pack instinct take over and snatch a pair for ourselves? "Only £10!" we cry. Yes, but completely unwearable.

It is those unwearable items, secreted into the backrooms of shops that are dragged out at sales time to hoodwink the gullible. Matysik's advice is not to buy those bizarre jeu d'esprit items. These define a fashion

moment "and by the time of the sales, that moment is history".

Helen Simpson, one of Britain's best-dressed fiction writers, advises: "Buy good quality classics that won't date". She is particularly pleased with her Aquascutum mac, about £500 normally, and only about £200 in a sale.

If you have the nerve, the way to approach the sales is like a game of blackjack. Pace yourself. Know when to pass on that pair of Gucci shoes, that Prada handbag. As you sweat it out, the prices fall further. If you can bear the tension, and keep putting the item to the back of the shelf every time you go in to the store, it may eventually reach 80 per cent off. In true hunter-gatherer tradition, you can then drag home a trophy, the Gucci shoes that cost little more than the Marks and Spencer slippers.

It is this notion of beating the shopkeepers at their own game that gives the satisfaction of a sales purchase. For once you can go shopping and are not ripped off by 100 per cent mark ups. The risk though is that you rip yourself off by succumbing to the "mad till" disease that turns brains to crumple at this time of year.

Women particularly have a terrible habit during sales of buying clothes in the wrong size "because they're just too good to miss". And because, "I'll diet into them". A friend who helped in a London store's alterations department remembers a girl coming in with a sales jacket and having every seam taken in, at about £30 a seam. It ended up costing just as much as the non-sale version in the right size.

Get the jacket to fit the woman, not the other way round.



Ten ways to help prevent shopping frenzy

1. "Never buy anything in the sale that you wouldn't also buy if it was full price [and you could afford it]." Strong words from Rita Brittain, owner of designer emporium Pollyanna.

2. "Hire a car for the day with a uniformed chauffeur to ferry you fluster-free from store to store."

This the advice of a friend who, Mrs Beste-Chetwynde-style, does just that; emerging Mancio-shod and follow me-caved with the added bonus of salivating sales staff.

3. Go in the week before and seek out the thing

you most badly want in the sale. Then, on the day, head for this and this alone.

4. Then go straight home before uncontrollable retail feeding frenzy sets in.

5. On no account don a shell-suit and camp out at 4am with sleeping bag and thermos to be first in the queue. When you are spotted thus clothed on News at Ten, your fashion credibility will be in tatters.

6. Beware batches of tat made up specially for the sales or old designs wheeled out again. Lots of shops do this, even highly

respectable ones.

7. Be alert to any sudden weakening of your normal resistance to fine green leather or gypsy tassels. If you are flipping into a shopping trance, sober up by adding to the nearest double espresso.

8. "Don't buy a designer's crazy statement," advises Josephine Turner of A La Mode. "In a sale, go for something in superb quality with style that will last for years." And go to the expensive stores: £30 off a cheap jumper is not much of a bargain, but £200 off a £400 cashmere style is.

9. Bypass the lot for a

visit to Bloeser Discount Shopping Village (off Junction 9 on the M40 between London and Birmingham). Key purchases: amazingly cheap Joan & David shoes and Christian Lacroix everything. "They've no idea what they're selling" are the awe-struck words of the best shopper I know.

10. Avoid the Harrods scrum by placing an advance order on "big ticket" items like furniture and electrical goods at sale prices on certain dates. Account customers get an extra 10 per cent off.

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TRAVEL

Living for today in timeless Rome

Nigel Andrews marvels at the city of broken centuries and unbreakable myths

One great truth is learned from world travel - everyone is biased about his own habitat. Tell a Roman how beautiful Rome is and he gives you a glazed, long-suffering smile. You may be sitting in a penthouse flat surrounded by views of the Forum, the Colosseum and St Peter's and still your enthusiasm will have no effect on your host. "Si, si," he will mutter patiently as he tops up your Prosecco. "And how is your London and your Chon Maycher [John Major]?"

It is 10 years since my last visit to Rome and the city is unchanged beyond recognition. It is hard to believe in a place that keeps its aesthetic virginity so intact: the Doric Day of world capitals. Since my sunshine hours involved driving around in taxis meeting people for an article on Italian cinema, I spent my nights roaming by cab or on foot, gawping at Rome's non-stop son of lumiere display.

The lumiere is the floodlighting that leaves no building without the star treatment. The son - which also seems beautiful after a day or two - is the honking of traffic, rhythmic thumping of tyres over cobbled streets,

throaty shriek of Vespas and babbling to all hours of voices in streets and cafes. Rome must have learned its habit of sleeplessness from the famous occasion when, nodding off during a national emergency, it was woken by the squawking of geese. The site of this incident was near my hotel. In a spare moment of daylight I visited the Forum and next door Capitoline Hill, and learned two things about culture management while in Rome.

Either go without a guidebook and spend an hour heedlessly imbibing the atmosphere - sun-rinsed pillars, beautiful amputated statues, marble friezes telling impenetrable stories. Or go with a guidebook and spend a day.

I found the perfect compromise: half a guidebook and two hours. Several pages of my well-thumbed ancestral Baedeker being completely missing, I had to take on trust the historical fascination of Caesar's Rostra (speech platform) and the Curia (large stone barn). On the other hand, I could serve you a fine running lecture on the Temple of the Vestal Virgins, assuming you could back your way to it through the crowds.

It is possible to enjoy an empty, magical Forum in your own time. I discovered this almost by accident on an early morning walk. At 8am, climb the steps to Michelangelo's Piazza Del Campidoglio - backlit by the diffused rays of a Roman sunrise - and walk down the right side of the Capitoline Museum. Lining the Via del Campidoglio at the museum's rear is a balustrade overlooking the whole Forum. Not a soul is in sight, save the odd worker tinkering with some scaffolding. You can people the entire place with the toga'd cast of your imagination.

In a few precious daylight hours, I also put my hand in the lie-detecting Bocca Della Verita (where Gregory Peck famously hoaxed Audrey Hepburn in *Roman Holiday*), scouted the Colosseum and stormed through St Peter's.

But there is no need to stay with the obvious. If you are based at the charming Domus Aventina Hotel, whose rooms overlook the courtyard of an old church, you can always walk in the other direction.

Monte Aventino is a leafy backwater where embassies lurk amid magenta clouds of bougainvillea, and pomegranate trees overhang sun-



It would be hard to be blasé about the figures of Christ, St John Baptist and the Apostles sitting above St Peter's

lit pavements. If you walk north for 10 minutes you are in the Forum. Walk south, though, and you enter the twilight zone known as Testaccio.

This is where the smartest restaurant (three rosettes in Michelin) sits in a cul-de-sac opposite an abandoned abattoir. Checchino Del 1887 is tucked into the side of a mountain formed entirely, and eye-bogglingly, of broken vases. This area used to be on the coast and whenever careless dockers smashed a crate of amphorae, circa AD200, they dumped the jars on the same spot. Hence "Monte Testaccio": a hill now crowned like any slough with trees and bushes, which grow out of an estimated 50m items of broken terracotta.

I did not eat at Checchino's since my hotelier, warning of tourist traps, said I could get the same food cheaper at nearby Perilli's. Felini used to eat at this vast, noisy refectory abounding with good cheer and not-so-good murals. Like all local trattorie, it boasts authentic Roman cuisine: which means offal, tripe, hooves, heart and anything from the more personal parts of an animal. As a conscious English person I

ate lamb stew (delicious), preceded by a richly oiled *soglioloni* with wild mushrooms.

It was during this meal, with the greater wisdom brought on by a bottle of Chianti, that I felt I understood what this city is all about. In that great Italian film *Fellini's Roma* cameo star Gore Vidal, playing himself, called it "the perfect city from which to view the ending of the world."

In Rome no one seems to care about the future because they sit on this time-mountain formed of broken centuries and unbreakable myths. If they

eat traditional dishes whose ingredients other countries would hesitate to give their pets, it shows that they put sensible hedonism above irrational squeamishness. And if they stay up all night - since in an Italian city who can sleep with the sound of cars and scooters? - it shows they care not about tomorrow, only about extending today into an honourable eternity.

On my own last day I discovered a dream hidden behind an abbey garden wall. I cannot remember the street's name nor the abbey's. But you will find it by walking south-west of the

Domus Aventina for 54 minutes. Approaching the wall, you will see the far-distant dome of St Peter's, framed in the entrance arch's perfect centre. It shimmers in the blue sky, luminous and seemingly weightless, above the viewing balcony at the abbey garden's far end.

This was the most magical and beautiful thing I saw in Rome. And it was quite, so far as I knew, unknown. At least until I revisited my Roman friend. "Ah, yes, you saw that, did you?" he said with affable indifference, before berating *la suite Roma* with another glass of sparkling Prosecco.

Skiing / Arnie Wilson

Great snow brings avalanche danger

Now, glorious snow - it seems to have fallen abundantly in almost every Alpine nook and cranny on both sides of the Atlantic.

But as so often happens with events of extreme good fortune, there can be a sting in the tail.

On the opening day of the season in Jackson Hole, Wyoming, so much snow had fallen that half the mountain was shut down and the ski patrol was out in force dynamiting the more avalanche-prone areas.

Almost immediately, one of them was caught in a substantial slide and had to be dug out by his colleagues.

It was a graphic illustration of

the down-side of the best start to the ski season for years.

While everyone in the ski industry is rejoicing at the almost staggering amounts of snow that have fallen so soon - "best snow in Europe for 25 years... record snowfalls in Canada, etc." - the phenomenal conditions can also bring potential danger. Not just in the closing days of the year, but late in the season too.

In a "normal" winter, if there is such a thing, the gentler pace of nature, with snowy days alternating with rainy days and sunny days, usually produces a relatively stable base.

This year the snow fell all at once. The deluge created conditions which could cause stability problems later in the winter. It is likely to be a season when extra caution should be taken when skiing off piste.

Ungroomed snow is unpredictable enough at the best of times, but this winter the advice of many snow-craft specialists is to check off piste conditions with the pisteurs or ski patrol. And if in doubt, take a guide.

"Everyone's cock-a-hoop about the snow, so it's as well to remember the dangers," said David Hearn, of the Ski Club of Great Britain.

"We don't want to start scare-

mongering, but it needs to be said that conditions are more dangerous than during a normal December, particularly in North America where so far there hasn't been much of a thaw."

"In Europe there has been a classic freeze-thaw, freeze-thaw cycle which has made the slopes relatively stable in spite of the extra amounts of snow." Even so, some European runs are behaving bizarrely. The resort of Mür-

ren closed one of its main runs, the Kanonen Rohr, because it was moving like a glacier.

Last week, the avalanche risk was around three on a scale of five, which is quite dangerous - one or two is pretty safe, and at four or five there is a very serious danger of spontaneous avalanches. "There is also some slab [heavy wind-blown slabs of snow which creates particularly dangerous conditions] floating

around in the European Alps after high winds at the beginning of December," said Hearn.

"You never really know for certain what's going on under the snow pack, so take local advice and always ski with an avalanche transceiver."

A free holiday in St Moritz is on offer to anyone prepared to raise money for the Children's Nationalities charity, which helps sick children. It is organising a five-day *Shogun* cross country ski marathon from March 3. The cost is £700 - but anyone collecting at least £2,500 in sponsorship gets their full costs paid, with lesser contributions for smaller amounts. For details, phone 0171-928 2425.

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TRAVEL



From time to time as I drive along I get friendly waves and smiles from ageing, unreconstructed hippies heading in the opposite direction. The waves are not so much for me, I think, as for my ageing, unreconstructed van. There was a time in America, a quarter of a century ago, when like Siamese twins, hippies and VW vans were inextricably linked.

What struck me as I drove south from San Francisco was the growing frequency of these highway encounters. Not only were the waves becoming friendlier, but the passers-by bestowing them appeared to be getting younger.

Was that really a peace sign being flashed as I drove down the steep hillsides towards Monterey Bay? How extraordinary, I thought - in California, I thought - in California, like, awesome! Hippiness was not dead but, youthfully reinvented, seemed to be vibrating outwards in concentric circles from the seaside town of Santa Cruz. I picked some roadside flowers, draped them around my rear-view mirror, and drove into town to investigate.

I had not, perhaps, chosen the best day for a sociologically balanced view of Santa Cruz: as I began strolling down Pacific Avenue, the city's main promenade, a red convertible containing a red mooring man dressed as Holstein cows cruised by. It only got loonier from there on.

It was, in fact, Halloween. But as the sun sank into the sea behind the town there seemed to be as many weirdly attired adults out on the streets as there were trick-or-treating kids. Among the other peculiar citizens I ran across were flower-children in tie-die and sandals, new-age cultists in long gowns, bikers in black leathers, and Sand-M enthusiasts with whips and restraining gear. There were also tattoo and body-piercing aficionados bristling like pin-cushions, a man prancing about in a poncho and belt-thumping jester's cap, and female vamps in spangled dresses and feather boas.



Hippiness lives in Santa Cruz despite appearances the city is apparently as progressive as anywhere in the US

Peace and love time warp

Every day is Halloween in Santa Cruz, says Nicholas Woodsworth

But even odder was the realisation that Santa Cruz has not really dressed for Halloween - when I returned to Pacific Avenue the next day, little apart from the cows in the convertible, had changed. Every day is Halloween in Santa Cruz.

I sat with a *café latte* in the busy Santa Cruz Roasted Coffee Company and puzzled it over. Wandering in and out were the same tribespeople - bearded hippies, cross-gender dressers and Aquarian spiritualists - that I had seen the day before. And where were the conventional business establishments that made up mainstream America? The whole town seemed composed of hip little cafés, health-food stores, and book and record shops. Did ordinary places like dry-cleaners still exist? Perhaps they did not. On the sidewalk outside, flying above a stand distributing hot meals free of charge, flew a banner - "Create a New Society", it said.

Had someone slipped LSD into my *latte*? Had I fallen through a crack in time and landed back in the 1960s? What had happened to Newt Gingrich, triumphant conservatism and the final defeat of the free lunch? Was this, or was this not, America in the 1990s? Finally, I

could stand it no longer, and phoned the mayor's office. I needed to see someone in authority.

A little while later I met Mike Rotkin in front of the City Hall. Not a hippie, he sports the neatest of beards. Not a biker, he drives a modest Kawasaki Ninja motor-cycle. A former anti-war organiser and draft-card burner, he is today, in fact, the mayor of Santa Cruz. I liked him immediately. To call yourself a socialist in America these days takes courage; to call yourself a socialist and be voted mayor three times in succession takes something more as well.

Rotkin was in the middle of yet another election campaign, but in the relaxed, friendly style that characterises the city, he took some time off to ease my troubled mind.

He agreed that Santa Cruz was indeed like a 30-year-old time capsule but, he assured me, in terms of political and social evolution, it is as progressive and up-to-date as any place in America.

What made Santa Cruz, so different from most American towns?

This was a young town, answered Rotkin; ever since a University of California campus was built here, students have formed a large



part of the population and youthful ideas have held sway. But what got it all started, he said, was a profound concern for environment that is part of the very basis of the west coast mentality.

Californians - even conservatives, he said - have always placed a high value on their beautiful natural surroundings and the kind of lifestyle it permits. Until the 1970s, the rough and rugged coastal hills in which Santa Cruz lies had kept industrial, commercial and property developers away. Rotkin and other young political activists on the left were determined not to see their city go the way other California towns had.

When the inevitable pressures for freeways, highways, beach hotels and even a nuclear power plant arrived, they were able to find strong grass-roots organisations to fight them off. Rotkin chuckled: "With a single issue - environment - a progressive coalition was able to hijack the city council; the conservatives had no viable alternative. We've been going strong ever since."

Once strong and active community organisations were in place, a radical municipality was able to take on other kinds of social issues and legislate change affecting the lives of citizens usually on the margins - the young, single women, ethnic minorities, the elderly, the poor.

Communal comforts

Peter Marsh meets the older set who prefer youth hostels

When Margaret Smith and Joyce Wickens, two sisters from Sussex in their 60s, opted for a week's walking holiday in the Lake District, they didn't take long to decide where to stay - in youth hostels.

"Hostels are friendly places. You meet a lot of interesting people," says Joyce who, in spite of her 68 years, covers up to 15 miles a day carrying her luggage on her back.

In some ways, youth hostels are a bit of a misnomer. The people who tend to use them - especially out of the school holidays and in the more rural parts of Britain - are often into their 40s and older. Another common misconception is that you require a hair shirt to stay in one. But while hardly luxurious, they are more comfortable than many might imagine.

On a recent visit to Cumbria, when I bumped into the Smith and Wickens sisters, I stayed at the Patterdale youth hostel near Ullswater. The view from my room was better than anyone could reasonably expect from a five-star hotel: a stream trickling down to the lake, a field of cows and mountains rising in the distance.

For less than £30, I got a bed for the night, a superb evening meal and large cooked breakfast, plus a packed lunch for the next day's walking.

Margaret Boothroyd has been Patterdale's hostel warden since 1971. She has run youth hostels for 40 years, most of this time with her husband, Joe, who died four years ago. She has seen youth hostels rise and fall in terms of fashion but, perhaps paradoxically, broadly retain their appeal for the older generation.

Boothroyd, who is 60, says youth hostels are not that popular among 18-to-29-year-olds. "Either they can't afford to stay in them, or they want Benidorm [in Spain]," she says.

There are 240 youth hostels in England and Wales run by the Youth Hostels Association, a charity with an annual turnover of £25m

and 1,000 employees. Membership costs £9.30 a year, and there are 270,000 members, only a fifth of whom are aged under 18. There are similar youth hostel associations, all affiliated to the YHA, in about 80 countries, giving access to a further 5,000 hostels.

In Britain at least, the hostels come into their own when catering for the serious countryside backpacker with a pre-determined walking route. For these people, the days are entirely about getting from A to B, in the most enjoyable and scenic way possible, and the nights are for recuperation and relaxation.

Around the large tables at meal times are others who share similar countryside interests and have the staying power to battle against wind and rain to appreciate

You are likely to be allocated a bunk bed in a dormitory with up to 20

them to the full. You meet people like Gordon Readyhough, the 68-year-old leader of the Ardside Scramblers, a walking club near Lancaster.

When I met him, Gordon was accompanying his son David on part of the coast-to-coast walk across northern England. Gordon, with a chirpy manner and ready wit, has been a youth hosteller for most of his life and is rarely away from the Lake District for more than a fortnight.

The communal aspect to hostels spills over from meal times to the sleeping arrangements. You are likely to be allocated a bunk bed in a dormitory with some others - up to 30 at a time, depending on the size of the rooms and how busy the hostel is.

The air of wholesomeness, but unforced, frugality about youth hostels is appealing, particularly to anyone who frets about the excesses of modern life.

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OUTDOORS



Racing on a sail and a prayer: 3Com's cruise meant plans for an extended leg were dropped

Humanity has its moment in an unforgiving ocean

Richard Donkin reports on a moving rescue mission in the southern ocean

Richard Donkin is competing in the Rio to Wellington leg of the BT Global Challenge round-the-world race.

The co-ordinates 85 degrees, 40 minutes south, 112 degrees, two minutes west mark the exact spot in this empty quarter of the globe where our yacht, 3Com, very nearly came to grief.

Hard sailing in a 40-tonne boat through pummelling winds and seas puts enormous strains on equipment. Sometimes something gives. As the crew struggled to retrieve a broken cable and a fuseset hanging over the side, David Tomkinson the skipper confessed: "There are two things in ocean racing that put your heart in your mouth - a man overboard and the loss of some rig."

The race headquarters warned other boats to check all rigging and dropped its plans to extend the Rio to Wellington leg that would have deliberately delayed the arrival of the fleet in New Zealand to ensure that reception plans went smoothly.

Increasing hardships mean the battered fleet taking part in the BT Global Challenge is closing on its Wellington destination with a huge sense of relief today, after the southern ocean lived up to its fearsome reputation on this gruelling 7,000-mile leg of the round-the-world yacht race.

Plotting the course of the 14 boats on the stark white navigational chart that represents the Southern Ocean has been like watching snails competing to reach a cabbage leaf.

Two boats, *Concert* and *Time and Tide* were forced to divert to the Chatham Islands, 400 miles closer to the fleet than New Zealand. *Concert* lost the top of its mast and *Time and Tide* had an injured crew member.

The rigging problems suffered by about half the fleets, most seriously by *Concert*, emerged first on 3Com when we lost our forestay in mid-ocean.

At a first inspection our position in the race appeared hopeless. The damage seemed irreparable. We were racing on a sail and a prayer. The best we could hope for was to limp back with a makeshift rig and reduced sail well behind the rest of the fleet. The worst, we preferred to leave to our private thoughts.

The forestay acts like a guy rope on a tent. It is crucial to the structure. Challenge boats have suffered two dismastings in the past. The first happened to the yacht, *British Steel II*, at about the same stage of this leg in the 1992 race. The second occurred in the English Channel during a training sail.

Ingenious and hair-raising repairs were required and, incredibly, within 36 hours of near disaster, 3Com was once more in the race, albeit

well back in the field.

Our crisis became a cause for celebration across the fleet when the extended course - a universally unpopular addition - was abandoned for fear of further forestay problems.

The rejoicing did not last, however. The fleet was about to encounter its first full-blooded southern ocean storm. Soon, more yachts were reporting strands breaking on their rigging; the forestay collapsed on

West's boat needed all the pain killers we could spare for its 2,000-mile trip

Motors: Heath Insured II was forced to strip down its sails when a crucial piece of side rigging failed; and *Concert* lost the top of its mast entirely. Hardly a watch went by before more problems were emerging.

Tomkinson said: "We have two options - putting everything up and waiting for it to fall down or to sail reasonably conservatively. In race terms it has become a matter of getting there, more than anything else."

The same storm led to a

call for assistance from the yacht *Time and Tide* which is crewed by disabled people. One of them had been badly injured. It was an anxious time for the crews who have all drawn inspiration from the presence of *Time and Tide* nearby.

Tomkinson did not hesitate to alter 3Com's course to undertake a mercy mission. Extra pain killers were needed urgently for Brendan West, a leg amputee who had injured his one good leg in a deck accident.

I met West in Rio, where we were both joining our yachts for the first time. I was pushing a cart loaded with sails and feeling sorry for myself because I had twisted my ankle a few days previously. He came alongside me to help push.

We were told that West was in great pain from the injury which had inverted his good leg at the knee. His boat needed all the pain killers we could spare for its trip to the Chatham Islands, 2,000 miles away.

The rendezvous and transfer went without a hitch. It was an emotional meeting for both crews, a reminder that neither they nor we were alone in this unforgiving ocean and that humanity can have its moments.

Christmas was a muted occasion without the usual festive trappings to stir the seasonal spirit. Our world is a boat a crew and, usually, a friendly albatross gliding by within a vast and fickle ocean. We had built-in-a-bag

dumplings with Christmas pudding, a cake and some crackers, accompanied by carols from the helm.

On-board entertainment is limited but the solitude has led to a flowering of interest in poetry. Popular recitals include Rudyard Kipling's "If" and W.H. Davies's poem "Leisure", which begins "What is this life if, full of care, we have no time to stand and stare".

We look forward to the new year with the same mixed feelings that greeted Christmas. "It's hard to get excited about the new year, because in a way my year started in September when we began this race and will end when we finish in July," said Philippe Falle, a photographer and 3Com crew member.

The rigours of the past few weeks have sapped our will for celebration. We dared to enter the weather's lair and it did not treat us kindly. The hours grind by slowly as if someone has applied a brake-handle to the cogs of time. The passing of a year seems meaningless when time itself has become intangible. We want to feel land under our feet again.

Christmas at sea strengthened the feeling of isolation, the physical and emotional distance from our families. It was a time for introspection to scan the featureless sea in a search that borders on the spiritual. The enormity of the ocean challenges the most committed non-believer.

Motoring

Small cars nip to the fore

Stuart Marshall takes a backward look at the year

Which cars stand out in a backward glance at the past year of motoring? In general, they have become so good that realistic comparisons are difficult.

If you decide what kind of car you want - saloon, hatchback, estate, on-off road or soft top - and how much you want to spend, then it is really a question of finding one you like the look of and negotiating the best deal.

It can be said with reasonable confidence that whatever you buy is likely to serve you well, providing you look after it. Small cars in particular have reached a stage where they are the equal of large ones in everything but size and price.

Power-assisted steering, which improves any car, however small, is routinely fitted as standard. (I would not have a car without it.) Air conditioning, CD players, automatic transmission and anti-lock brakes are not yet part of the normal small car package, but all are available widely as optional extras. Only cruise control has still to percolate down from executive class cars.

With such crowded roads, however, I am not sure that being able to pre-set a cruising speed is so important. Unless, of course, you want to be certain you are not going to exceed the speed limit.

Most impressive of the small cars I have driven this year were the latest Ford Fiesta and its Mazda counterpart, the 121; VW Polo and Rover 300s with petrol and, especially, diesel engines; the Subaru Justy, with permanent four-wheel drive and priced below £8,000; the Citroën Saxo; and, last but not least, Ford's hugely attractive Ka, created by repackaging Fiesta components in startlingly stylish but practical new clothes.

Nothing I have driven this year created more interest than Ka among friends and strangers alike. I had only to park it for interested people to come up and ask: "What is it?" or "Is it electric?" Among small/medium cars, the VW veteran Golf GTI, due for replacement in a few months' time, still takes a lot of beating, but I think the Nissan Almera GTI runs it close for performance and manners alike.

Perhaps I had expected too much of Rover Group's MGF, but I was mildly disappointed by this mid-engined sporting two-seater. Not, I hasten to add, by its dynamics; these are first class. But I thought the manually operated soft top was cheap.

Nothing I have driven this year created more interest than Ka

nasty and claustrophobic and contrasted badly with the power-operated top for the Ford Escort Calypso cabriolet.

All fabric folding tops, however, are outdistated by the disappearing steel roof of the Mercedes-Benz SLK. Closed, it is as secure as a saloon. Open, it is among the most seductive two-seaters I have ever driven. And the transformation is quick (26 seconds) and completely automatic. I rate it a must for those not yet old or rich enough to contemplate owning a Mercedes-Benz SL.

A point which I have made several times over the past year is that medium-sized and medium-priced cars now

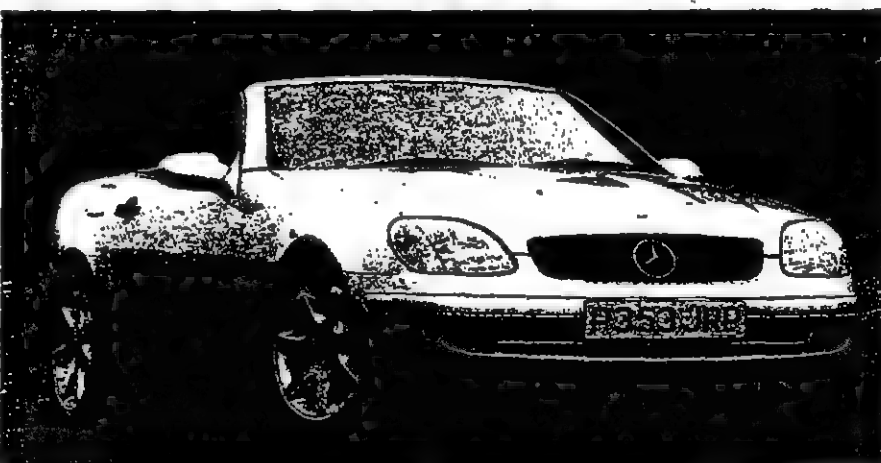
offer buyers (more often, user-choosers) similar standards of comfort, reliability and safety to more prestigious, premium-priced marques. This is especially true of the multi-cylinder versions of fleet favourites such as the Ford Mondeo and Vauxhall (Opel) Vectra, soon to be joined by the V6 engined Peugeot 406 and Citroën Xantia.

In the last year multipurpose vehicles secured, and are now widening, a bridgehead into the British market. Most popular have been the Ford Galaxy, VW Sharan and Seat Alhambra, which differ only in detail, and the other near identical trio of Citroën Synergie, Fiat Ulyssee and Peugeot 806. Competition will soon be keener than ever with the introduction of a new Renault Espace, a General Motors (Opel/Vauxhall) Cintra and right-hand steering Chrysler Voyagers.

MPVs were supposed to pose a threat to 4x4 recreational on-off roaders, but sales have remained healthy among buyers whose choice reflects a lifestyle, be it real or imaginary. Suzuki came up with a couple of four-wheel drive novelties - a turbo-diesel Vitara 5-door with standard automatic transmission, and X-90, an offbeat machine which could well be the darling of a Range Rover-driving Chelsea daughter.

The most significant car to appear in 1997? Undoubtedly the Renault Mégane Scenic, a mini-MPV that is bound to spawn a new generation of family cars that are big inside and small outside.

Two final motoring thoughts. Be glad that in 1996 road deaths in Britain will never have been lower; and that the Eurotunnel fire occurred while there were still ferries to provide an efficient alternative way of crossing from England to France.



A Mercedes-Benz SLK: from steel-roofed hardtop to open roadster at the touch of a button



Renault Mégane Scenic: the shape of the coming generation of family cars

Gardening

Curious twists along the path

Robin Lane Fox on the lessons of a year which swung from a harsh May to a glorious November

ous difference, especially for weekend gardeners, and here there is no point in economising. Many suppliers will also assist in plans for a self-installed arrangement, containing the cost wherever sensible.

The oddity this spring was not the shortage of water, but the shortage of warmth. We all enjoyed the most extraordinary spectacle. The clouds of blossom on cherry trees and magnolias opened rather late and were then held as if in the cooler for several weeks while the early daffodils crept along to join them. The later narcissi lingered on until the end of May and anyone with naturalised bulbs beside a formal garden was longing to cut them down in early June. But the recommended interval of six weeks after the flowers have faded meant that untidy narcissi were hanging around in early July.

In these chilled conditions, I extended my acquaintance with

many types of flowering cherry which otherwise drop before I have noticed them. The white-flowered upright *Umeniko* remains my favourite wherever height is more important than width. Pale pink *Accolade*, white *Korean Hill* and the large, spreading white *Yedoensis* were outstanding bets in this favourable season.

Towards the end of spring, one of the sights of the year were the lilacs. I cannot remember such a prolific season and I continue to bless the day I moved my standard trees of blue and purple-striped lilacs into a pair of small borders where they give early colour and then become a framework for semi-climbing roses and late-flowering clematis. Older wisdom claimed that lilacs were bad neighbours in a border and no doubt, suckering, hungry bushes are a menace. Standard lilacs, however, are another matter and I will treasure the mem-

ory of my standard lilac *Sensation* against a backdrop of early flowering honeysuckles and some pale yellow tulips which have lost their way in the calendar.

Another type of honeysuckle has shot to the top of my shopping list, which I first sighted in May. *Lonicera Tatarica* is a tough, under-rated shrub with a reddish flower, but there is a spectacular white-flowered form with slightly paler leaves which is exactly right as a filling for



that hiatus between the spring bedding and mid-June. It is not common. But several nurseries list it and it is said to be as tough as its relations.

But mid-July, the summer was threatening to dedicate us all again. Roses had been wonderfully unspooled by rain, but I began to find their masses of flower overpowering in the clear, hard light of a dry month. Crisis threatened, but early August relented and I enjoyed 10 days' matchless gardening. This year, the widening range of crocuses showed their quality, preferring frequent watering, while enjoying a sunny season. The shapes and colours of flower now vary far beyond the old *monobrotas* and I recommend buying any unusual named variety next spring so that one or two plants at intervals will illuminate the difficulties of August.

They combined with my star success of the year - a brilliant

coral-red form of low-growing *diasticta* called *Coral Belle*. Ever more forms of these South African plants are entering nursery catalogues but this one struck me for its brighter colour, continuously flowering from June until October and appearing to be hardy, helped by its strong, compact growth. Beside the low-growing yellow Evening Primrose, *Oenothera Missouriensis*, it made a brilliant combination which would grow for anyone in a sunny site.

By September, everything was dry again, but the new wave of popularity for small-flowered *Michaelmas daisies* saw some of us through. They coincided with the tail end of a spectacular season for the scented white *Magnolia Grandiflora* which responds so freely to a sequence of warm summers. Small blue daisies like *Little Corolla* or the tall, rare *Chiffchaff* were a great re-discovery.

The last surprise has been the autumn. Early October was so dry that the leaves on too many trees turned brown and began to fall too early. I have never had worse value from a walnut as the cold May delayed its leaves until June and the dry autumn removed them by mid-October.

Instead, we were rewarded with the best November in my gardening memory. Many days were clear or beautifully changeable. Berries on all types of *Sorbus*, and especially the taller red types of *Cornus*, have been stunning, while the ornamental *Malus* have never been better, justifying those who put them first for flowers, leaf, toughness and fruit in dry, alkaline gardens. Blackbirds and even the flocks of starlings have done their worst, but there are still a few bright fruits left after Christmas.

We deceive ourselves by following books on our gardens week-by-week, or by easy generalisations about times and temperatures. Gardening remains supremely unsuited to three-year plans, laid down by managers and run by computers. Each year calls for improvisation and individuality. We may curse the curiously seasons, but they are the challenge which makes us all keen to gaze into another year.

PROPERTY

UK capital is the best place to buy

Despite rising prices, London is good value, says Anne Spackman

London is a cheap place to buy property. That may seem an absurd assertion with the capital in the throes of a mini-boom and prices rising by up to 20 per cent during the year, but in comparison to the other leading financial cities of the world, London still looks good value.

This year London has been hit by a wall of overseas money. Both Savills and De Groot Colis say UK purchasers have shrunk from 75 per cent to about 45 per cent of the market. At Knight Frank, UK purchasers accounted for just 38 per cent of London buyers this year, compared with 52 per cent in 1995.

The sales of new blocks of flats to south-east Asian investors accounts for part of the sharp year-on-year increase in overseas purchasers. But it also reflects heavy demand for homes in central London from wealthy individuals. They may be moving to London to work; they may have a European headquarters here or they may be British expatriates - all want a base in what they see as a safe and thriving city.

The combination of competition from these buyers and increasing confidence among domestic purchasers, has seen record prices being achieved for the most popular flats and houses in the smartest parts of town. Wetherell, the Mayfair agents, sold a £2m penthouse on Park Lane, a £4m house in Park Street and a £3m house in Eaton Square in a

single week in November. According to Robin Paterson, Hamptons' group managing director, the biggest dampener on the central London market in 1997 would be a further strengthening of the pound.

The key to London's buoyancy is the City. This year it is set to create several hundred new jobs. Thousands of some of whom have already registered with estate agents. Knight Frank's graph of prime London property reflects the impact of these young bankers, with a large rise in the number of 30- to 40-year-olds buying property in the £1m-£2m bracket.

All this comes at a time when good houses and flats in prime locations are in short supply. Jonathan Harvey of Friend and Falcke says there are at present about 200 houses for sale in prime central London areas, compared with a norm of 600.

So does this mean another year of strong price increases? Not necessarily, according to most commentators. The majority are going for a cautious 5-10 per cent, citing the general election, possible falls in the stock market and rising interest rates as potential depressants. Many estate agents expect a flurry of new property on the market in the new year.

One of the most cautious predictions comes from Yolande Barnes, Savills' researcher, who has predicted a 1.4 per cent price rise for prime central London, compared with 13 per



81 Addison Rd in Holland Park is selling for £25m on a 99-year lease from Chesterfield

cent for the mainstream market. Simon Agace, chairman of the Winkworth group, which has 30 offices across London, is also predicting a slowdown in areas like Kensington and Notting Hill, saying buyers will not continue to chase prices up. Instead he believes secondary locations from Islington to Highgate in north London and around Battersea, Wandsworth and Clapham in south London will see the strongest rises of up to 15 per cent.

In the city's emerging residential locations, where new developments predominate, there is also a mood of caution.

Prices in the City and mid-town areas between the City and the West End have risen by an average of 15 per cent this year, almost entirely on the back of south-east Asian purchasers. Hurford Salvi Carr, based in Clerkenwell, expects rises to halve, as 1,500 new homes come on to the market in 1997 in addition to the first wave of second-hand stock.

A few commentators are more bullish. Rob Thomas of the Swiss bank UBS thinks

London will once again outperform the mainstream market, rising 15 per cent compared with 10 per cent nationally. "If you believe it will remain a strong financial centre and a fashionable city, that is a trigger for foreigners to buy."

He dismisses the suggestion that an increase in property prices coming up for sale will dampen price rises. "If you look historically at turnover and prices, they always move together," he says. "You never see turnover going up and prices going down. It implies that there are lots of people waiting to exit the market, whereas in reality, the vast majority are movers."

Two of the boutique London agencies which service the top of the market are equally confident. Andrew Langton of Aylesford says there are too many people trying to get into too small an area for prices to do anything other than rise.

Similarly, Brian d'Arcy Clark of Chesterfield believes there is nothing to stop a repeat of the rises of 1996. He expects a brief lull either side of the election,

but believes buyers at the top end have already discounted for the likelihood of a Labour victory.

While it might be preferable for the prime London market to calm down to avoid the cycle of boom and bust, there seem to be many reasons for it to keep on rising - at least in the short term.

I expect strong price rises, possibly as high as the 10 per cent seen in the last six months, but only for as long as the government can delay the election. After that, activity in prime areas may tail off, as the City and overseas investors wait to see what they are in for.

In the leafy suburbs I expect demand to continue to grow, regardless of the election, as families look for large houses with decent gardens near good schools. As for the new residential locations where south-east Asian investors have set the prices, demand depends on the handover of Hong Kong on July 1. Should they stop buying or decide to withdraw from the London there would be a significant impact on the market.

An ideal market for country vendors

1997 looks as promising, says Gerald Cadogan

This year has been a bumper year in the UK country property market but not quite a boom. Sales are up - Fullfords in Devon reports a 31.4 per cent rise and Knight Frank a 35 per cent increase nationally. Price rises have been strong in the south-east, fuelled by City salaries and bonuses. But the north has been slower, except for "close to commercial centres like Sheffield", says Paul Spencer of Stacks Relocation in Derbyshire.

The good cheer is expected to carry on into 1997, although it could turn dull in March as the election looms closer. Once that is resolved, I expect the market to pick up again in the second half of the year.

The flood of money from the City, expatriates leaving Hong Kong and Londoners selling their town abodes to buy more space in the country, have created a cash market of buyers who do not figure in the mortgage-based Halifax and Nationwide indices and are little affected by rising interest rates. They want tangible assets that may rise in value, without making taxable income for the chancellor.

In Kent, agent Calcutt Maclean reports that its buyers have a total £74m ready for property. Multiply this by all the other agents' lists and, even after deducting buyers who appear twice, there is no escaping the wall of money. And while buyers wait for the right place they often rent in what has become a lively, flexible country rentals market. This huge cash base creates a two-tier market in which the better properties rise fast as buyers with money in their pockets compete for them. For a manageable family house with five or six bedrooms, and some outbuildings and land - a manor

house, large farmhouse or old rectory - costing £300,000-£500,000 18 months ago, the price is now likely to be in the region of £400,000-£600,000 (such as the Old Rectory at Codford St Peter in Wiltshire, available through Savills for £500,000).

Depending on the location and the quality of its local amenities, and on how many other buyers are competing, properties can rise to between £600,000 and £1m. Throughout 1996, and final offers" in sealed bids (as in the Scottish system of house buying) which, according to John D Wood, Winchester, can result in "a panicky but spectacular offer - great for the vendor, tough on the buyer".

Conditions are ideal for vendors and good properties are still coming to market. A week before Christmas, Strutt & Parker launched Otley Hall in Suffolk, a superb Grade I manor house that is 500 years old. With great hall and parlour, and moat and water garden, the agent is asking for offers above £750,000.

Vendors must agree the right guide price and not be too greedy. Buyers remain cautious and houses now have to suit their precise requirements.

Barns (converted or with planning permission for conversion) have again become popular as an alternative to costly farmhouses and manors.

How much property will come to market in 1997 is difficult to forecast, since vendors, too, are cautious and may delay selling until after the election. Those selling in the first quarter can expect good prices from City buyers benefiting from bonuses. The positive trend should continue once the election has passed.



The Old Rectory in Wiltshire is offered by Savills for £500,000

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BEST WISHES FOR A MERRY CHRISTMAS AND A HAPPY NEW YEAR

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FOOD AND DRINK

Whisky

A repackaged Scottish distillery

Giles MacDonogh on the mixed opinions which Linkwood maltings provokes

Linkwood Distillery looks spruce and fine then the credit is due to Hilary Lamont, who has been the gardener there for twenty years. Architecturally it is a jumble: it is easy to identify the handsome old maltings with the pagoda roof of what was formerly the malt kiln. These have been turned into warehouses now that the malting is done elsewhere. The rest of the collection is not so easy to decipher, until you learn that there are in fact "two" distilleries at Linkwood: the new and the old.

Lamont has had the job of repackaging the distillery buildings in a tasteful floral border. On higher ground close to the old maltings is a dam full of trout and perch. They were hiding when I visited, but other writers generally report the presence of a brace of swans which

figure on the label of the United Distillers' 12-year-old.

The old one was kept going until 1992 or 1993, when Linkwood was going at full pelt. Possibly the need for quantity was dictated by United Distillers who needed a lot of Linkwood for their "improved formula" Bells eight-year-old. It ran in tandem with the new distillery, which was finished in 1971, at the end of the great Scotch boom. The owners were careful to reproduce the exact specifications of the old stills, but they doubled

the number from two to four.

The respect for nature at Linkwood may have something to do with Roderick Mackenzie, who was manager there for nearly 20 years after the war. He was so obsessed with the subtle flavour of Linkwood that he allegedly forbade the removal of spiders' webs lest that interfere with the nature of the malt.

It is perhaps significant that he left in 1963, the year of the first big refit. By 1971, the place had been transformed.

When you visit a distillery you

often gain an insight into the flavour of a malt from the smell of the "wort", the unfermented malt broth which is the raw material of whisky. At Linkwood it is fresh rather than sweet, not concentrated and honeyed like many of the best Speysides.

It comes off the stills at 67.5 per cent notably low for whisky, which should ensure the retention of more of the original flavour. Another important factor is traditional warehousing. Over in the old maltings the casks are racked, but warehouse number

three is still on earth floors. Most of the casks in the warehouse were old sherry butts, but the manager told me he thought the total "sherry" count was not more than 25 per cent.

Opinions are mixed about Linkwood. For the older generation of whisky buffs it was always one of the best, but it does not always star in the distillery's own bottlings. I had the chance to examine the spirit with Lamont who, besides her duties in the gardens, has become the unofficial nose of the

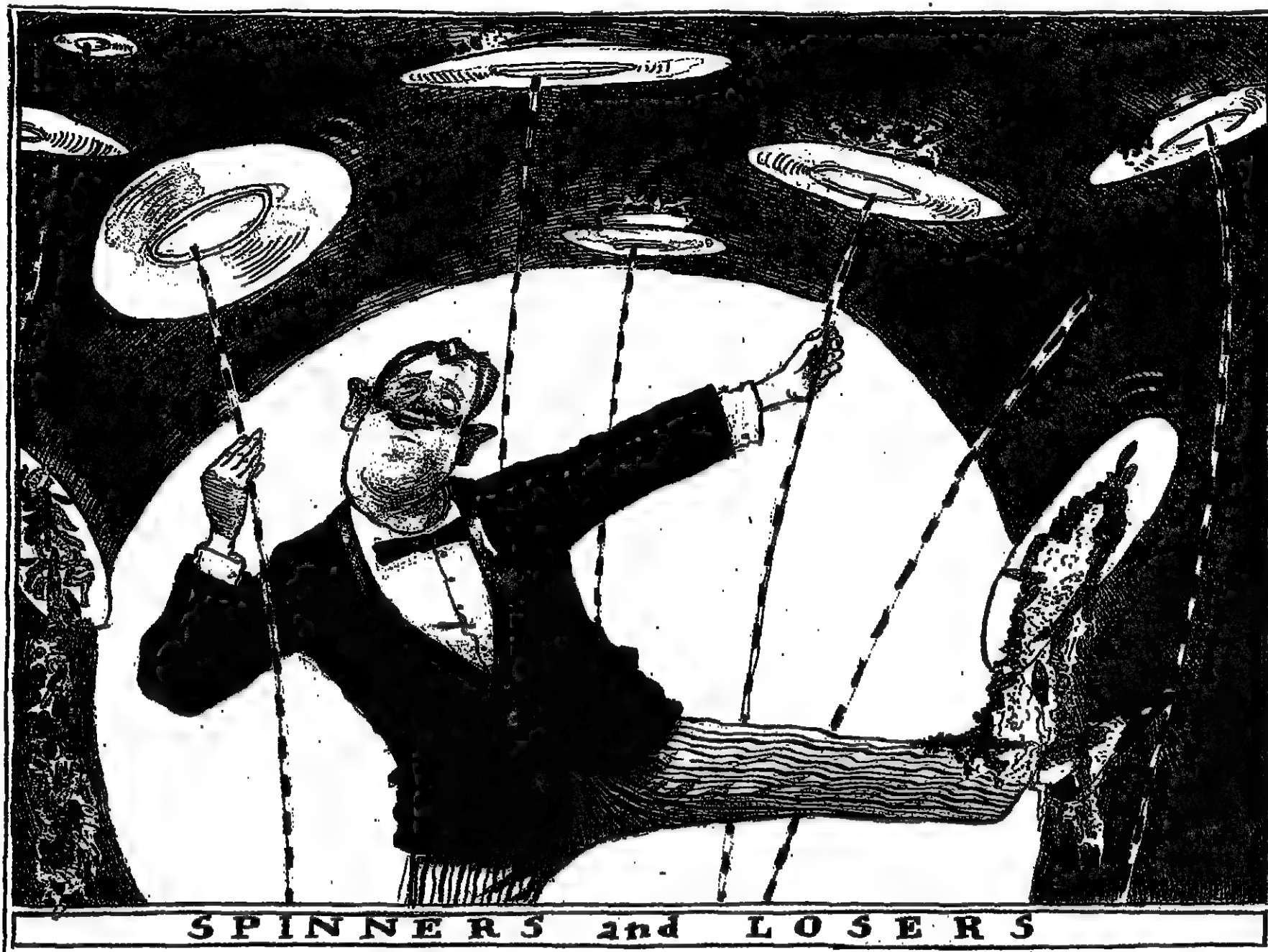
distillery. She says she can tell when head office changes the raw materials: "You're using a different barley today," she tells them. Some of the casks, she says, give off a distinct barley character.

As a gardener she is precise about fruits and flowers: the "new-make" smelled of fresh pears, which it often does, but Hilary corrected me: "Conferance, not Williams."

After that the sherry came into play. Linkwood fans feel that the sherry taste is a vital component

and reproach United Distillers for being a bit mean with old sherry butts. At first I was put off by a slight hardness, like hard water, on the finish. This tough character is present on the distillery's standard 12-year-old bottling, but on the whole the malt is better integrated at that age. I tried United Distillers other bottling when I got home: the 22-year-old cask strength "Rare Malt". Here the sherry flavour was mostly absent, and there was a pleasant heathiness about it, although I dare say Lamont would have demanded greater precision: "What sort of heather?" And "At what time of the year?"

■ Linkwood 12-year-old (Flora and Fanny) is available from Millroy's (0171-457 0893) at £28.95. They also have the legendary Linkwoods: 1939, 1946, 1954, 1961 and 1968.



Menu hits and flops of '96

Nicholas Lander on some of the triumphs and disasters of the restaurant trade

The year 1996 will go down in restaurant history as an *annus mirabilis*. More openings, more customers, definitely far more use of the word "eclectic" to describe a chef's culinary style and probably bigger profits.

Fortunately, however, chefs are still not certain of which dishes will sell as quickly as they can be prepared or those which will go unappreciated regardless of their description. Here are some of the year's culinary hits and flops.

New York

According to Danny Meyer, proprietor of the Union Square Café (212-243 4020) 1996's biggest hit was a spicy fried shrimp "po' boy" sandwich. "It is New Orleans-inspired, homemade, soft, sesame-seeded brioche roll, toasted, and then drenched with a spicy pepper and shrimp remoulade. It is filled with layers of thinly sliced tomatoes, chopped lettuce and a generous handful of shrimp fried in flour and cayenne. On the side are a stack of "shoe-string potatoes" and a crispy salad of watercress, beets, red onions with a pecan-dijon vinaigrette. We sell out every day for lunch.

"We should never have tried to

upgrade that New York deli classic - braised brisket of beef. We served it with horseradish mashed potatoes and spiced Greenmarket apple sauce but no one would bite. Or rather, no one could bite.

"Notwithstanding the estimable formal culinary training of our cooks, we were consistently unable to prepare fork tender brisket. Three out of 10 orders were returned to the kitchen as 'too tough' and after two weeks, before we did irreparable damage to our reputation, we quickly removed brisket from our menu - leaving it to the delicatessens where it belongs."

London

John Torode, The Chef, Mezzanine, W1 (0171-314 4000): "I always assumed that regardless of what you put with prawns it will always sell. Of course, I have been proved wrong. One of my most memorable dishes was a Japanese prawn custard with mirin and soy. In the first week we sold two, by the third week sales dropped to one. We changed descriptions but that did not work so bye-bye prawns.

"Mezzanine's greatest success has been pineapple curry with sweet pork and crab. I just did not think customers would be so

adventurous but it seems to be a dish with all the right combinations - curry, pineapple, crab and deep fried pork. All the regulars come back for it again and again.

"And thanks to a criticism you made we have introduced fresh mint, fresh lemon grass, green Japanese and jasmine teas and the response has been startling."

Adam Robinson, chef/proprietor, The Brackenbury, London W6 (0181-748 01017): "Our bit of the year was undoubtedly Welsh marmalade, a sanitised Welsh dish to make use of a much maligned mol-lusc.

"During the spring we found a great source of live whelks but nobody would eat them in their shells even when we gave them away as an *amuse-gueule*. So we decided to gorge them into salt water overnight then boil them for 10 minutes the following morning. We then remove their shells, feet and intestines, chop them finely and mix them into a caper and herb mayonnaise. Delicious.

"The generic flop of the year has to be consommés. We have made them with herbs, with dumplings, with wild mushroom ravioli, with beetroot and finally we made a great autumnal game consommé but we cannot give them away. Put it together with another great non-

seller - a glass of amontillado sherry - and we may just sell the odd bowl or two."

"The calamity of the year was something else again. We had managed to obtain some fresh pig's blood, a rare commodity, and a chef was filling the sausage casing to make black pudding mix. It took longer than anticipated and service started promptly at 7pm. The first orders, however, were accompanied by a dropped sausage casing and an explosion of blood and fat all over the kitchen and the chefs!"

Outside London

Sonya Kidney, The Marsh Goose, Morston-in-Marsh, Gloucestershire (01608-632111): "It seems as though the words cold terrine are just a complete turn-off and I wish I knew why. They taste great, present well and, although easy to serve, they are time consuming to make.

"We made a delicious chicken, spinach and ham terrine served with rosemary mayonnaise and toasted brioche but it did not sell. Perhaps because it is not cooked *à la minute*, customers do not perceive it as an attractive choice.

"By contrast our best selling dish - local beetroot with a grain mustard cream sauce and parmesan

fritters - was also one of the simplest. The beetroots are served whole if small or quartered, if large. Double cream is brought to the boil and the grain mustard whisked in; the beetroot is then added to warm through gently. Creamed parmesan is added to choux paste and the fritters are cooked in the fryer. The beetroot is served with some of the sauce which now resembles the colour of a deep pink rose and the fritters are placed on top of the beetroot."

Scotland

Andrew Radford, Atrium, Edinburgh (0131-228 8883) explained: "Pigeon has been our biggest seller this year. Roasted and usually accompanied by roast shallots and parsnips or a root vegetable mash and juniper, it is extremely popular with our customers. And from a gross profit point of view the dish is a business hit.

"By contrast the most difficult thing to sell has been wildgeon. People consider it either a spelling mistake or just an unappealing sound, perhaps a bit too like wild-gest. Once explained that it is a small, wild duck with a delicious tender flesh, tasting slightly salty due to its diet, we manage to sell a few to very satisfied customers."

Cookery / Philippa Davenport

Vegetable that needs more love

At the height of the white truffle season in Asti recently, I was treated to more than my fair share of the sublime fungus. I feasted, too, on magnificent beetroot, a root often despised and ridiculed in Britain but relished in Piedmont, where vegetables are treated with respect.

Most stalls in Asti's fruit and vegetable market sold leafy bunches of raw beetroot. Several offered trays of huge, freshly baked beetroot as well. I had not seen beetroot sold in this guise before, as unattractive as multi-colored objects from an archaeological dig, but once stripped of its ugly coat, the jewel-rich colour of the flesh, the small and intense flavour, was irresistible. I brought a fair number home, bubble-wrapped. And, yes, I came home with a small white truffle, too.

The recipes that follow have been written with raw beetroot in mind, since raw beets are what cook-gardeners will have in store at this time of year, but ready-cooked beetroot from the shops can also be used - providing they are plainly cooked not the vinegar-soaked sort that used to be the only cooked option on sale in Britain.

The first recipe may appeal to those feeling a little fragile after a surfeit of turkey, plum pud and brandy butter. The second is a hearty meal-in-a-bowl to set you up before you go out first-footing at Hogmanay.

Just one word of warning. Wear rubber gloves when preparing beetroots or the tips of your fingernails will be stained for days.

BEETROOT, APPLE AND SMOKED TROUT WITH WALNUT AND HORSERADISH CREAM

(serves 2-3)

I share the eastern European taste for teaming beetroot with the sting of horseradish and juicy crisp apple. Smoked fish makes a fine addition to this trio and it is worth seeking out superior fish smoked on the bone. Walnut and horseradish combine well for saucing - if the nuts are new season and freshly shelled. Staling dried kernels will spoil the results; better to use horseradish alone.

200g coarsely grated raw beetroot (prepared weight); 100g coarsely grated Cox (prepared weight); 200g-250g hot-smoked trout (weighed after skinning and filleting); 100g crème fraîche; finely grated horseradish to taste (use creamed horseradish if fresh is unavailable); 20-30g finely chopped walnut kernels; a few sprigs of green coriander.

Prepare the sauce first to allow time for the flavours to blend. Simply fold the horseradish (and nuts if using them) lightly into the cream, spoon the mixture into a small bowl, cover and chill.

I find a box grater better than a food processor for preparing the vegetables - the shreds are not so fine, and there is less wastage. Grate the beetroots first then grate the apple straight into them and mix well so the apple is stained red without danger of browning from oxidation first.

Cut the trout into strips, pile it into the centre of a serving dish and sprinkle lightly with chopped coriander. Arrange the beetroot and apple at either end of the dish or in a ring around the fish, and hand round the sauce separately.

BORSCH WITH DUCK

(serves 4)

In its native Ukraine and elsewhere there are endless versions of this soup. Mine is almost a stew, a first and main course rolled into one, easiest to eat from large old-fashioned soup plates with spoons. Most recipes include beef, others use duck, as I do. Cabbage is nearly always used; I rate very small kohlrabi a more delicate choice.

Quantities of everything can be doubled for a party. Indeed making borsch is often an excuse for giving a party in Ukraine. Serve borsch with dumplings and a bowl of soured cream, or hand round a plate of crisply baked puff pastry shapes topped with cream cheese generously spiked with caraway.

500g boneless duck breast; 6-10 small beetroots (weighing 500g or more after trimming and scrubbing); 2 small and tender young kohlrabi (to yield 200g when peeled, sliced and cut into sticks); 150g peeled and thinly sliced parsnip; 100g peeled and coarsely grated celeriac; 1 small onion,



halved and cut into thin crescent moon slices; 1 garlic clove, very finely chopped; 1 teaspoon tomato paste plus 1 teaspoon sugar and a pinch of ground cloves all mixed to a paste with 2 tablespoons red wine vinegar; 1½ litres duck stock (or good chicken or turkey stock or beef consommé).

Grate coarsely one of the trimmed and peeled beetroots and set it aside. Cut the rest into chunks and put them into a soup pan. Prepare the onion and garlic and add them to the pan together with the cold duck stock and vinegar paste. Prepare the kohlrabi, parsnip and celeriac as described in the ingredients list and reserve each of them separately.

About 20 minutes before you want to serve the borsch, bring the contents of the soup pan slowly to a simmer. Simultaneously heat a sauté pan big enough to take the duck portions.

Put the duck, skin side down, into the hot sauté pan. Immediately reduce to flame and cook the duck quite gently for 12 minutes. Turn the meat once, or twice but cook it skin side down for the last 10 minutes to render the fat. Drain it well at the end and let it rest in a low oven.

Meanwhile, when the contents of the soup pan reach simmering point, stir in the kohlrabi and cook for five minutes. Add the parsnips and cook for a further five minutes. Then add the celeriac and grated beetroot and simmer for five minutes more or until the vegetables are done to your liking.

Ladle the mixture into a warmed soup tureen and season with salt, pepper, extra sugar and/or vinegar to taste. Slice the duck and stir it into the soup-cum-stew together with any duck juices exuded during resting and carving.

Christie's half-yearly finest and rarest wine sale realised some remarkable prices, led by a single bottle of Lafite 1791 from a Belgian family, which fetched £20,900 (10 per cent purchasers' premium included in all prices). This wine was made

only 36 years after the death of the Marquis de Ségur, the proprietor, known as *le Prince des vignes*. Then

Appetisers

A wine at £20,900 a bottle

followed single bottles of Latour 1929 (£1,980), Latour '45 (£880), Cheval-Blanc '47 (£1,980), a magnum of Latour '51 (£1,980).

A case of six magnums of Latour 1982 fetched (£2,080), a magnum of Petrus 1945 reached £5,280, and a case of six magnums and one of 12 bottles of the 1982 each made £3,800. Forty-eight bottles of Mouton-Rothschild 1947-1993, each bearing the label design of the year, reached £17,050. Two Imperials (an Imperial equals eight bottles) of Le Pin 1990 made £10,450 apiece.

The top red burgundies came from the Domaine de la Romanée-Conti: a bottle of

Romanée-Conti 1935 went for £280, and one of La Tache 1945 brought £290.

A bottle of 1822 Yquem made £6,880, one of 1847 brought £9,350 a bottle, while a case of the famous 1921 achieved £14,300.

Rhine wines, vintage port and fine old Madeiras - and mid-19th century cigars - were included in this mammoth sale. The total of the all-day, three-session sale was £900,000.

Edward Penning-Rousell

■ Lay & Wheeler of Colchester's annual wine sale is better than most. This year's opens at 8am on

Thursday, January 2 (on tel: 01206-764446, fax: 01206-56002/584334/583526). Pommery champagne has been reduced from £18.24 to £14.99 a bottle; there are 27 cases of 1990 claret and 55 of 1988s; some mature Delfax Premier Cru Chablis 1988 at £17.50; Ch de Trignon Gigondas 1993 down from £11.35 to £8.94; discounted wines from two of Australia's most respected producers, Hollick of Coonawarra and Reynolds of Hunter Valley; some old Californians that might be worth a punt; lots of Italians; and a fair selection of halves.

■ Until stocks run out. Marks and Spencer is slashing prices of the following white bin ends, already recommended on these pages: scented Italian Malvasia del Salento 1994 (down from £2.79 to £2.99) and more limited stocks of two modern, dryish, fullish Klosterhof 1995 German Rieslings, Zell Castle and Johannisberg (£4.99 to £3.99).

■ Meanwhile, during January, Somerfield supermarket is knocking £2 off all the wines it has been selling for more than £7 a bottle. Beringer Cabernet Sauvignon at £8.19 looks a snip, and fans of full-throated Australian red should try to find a branch that stocks Penfolds Bin 407 1992, reduced to £8.15.

■ Lay & Wheeler of Colchester's annual wine sale is better than most. This year's opens at 8am on

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SPORT

Magic moments, memories of '96

Gooch at his most sublime, Sampras at his gutsiest, Johnson at his most awesome. Sports fans have had value for money this year

We asked our regular FT sports writers to name their sporting moment of the year. Their choices ranged from the predictable - Peter Aspdon on Michael Johnson's performance in the Olympic Games - to the quirky - Huw Richards' very personal choice of rugby star Arwel Thomas's magic moment in the Five Nations championship. But all left an indelible mark on the memory.

Olympic Games Peter Aspdon

The Olympic men's 200m final was always going to threaten the world record. Its two favourites, Michael Johnson and Frankie Fredericks, were in resplendent form, Johnson stepping down in distance from his "best" event, the 400m, which he had won at a canter. Fredericks determined to make up for "only" winning silver in the 100m. And then there was that fast Atlanta track...

Johnson would say afterwards that he stumbled at the start. It was imperceptible. Both men were superb off the blocks. Coming into the bend, there was little to choose between them, the only certainty was that it was fast. Then, incredibly for a field of such quality, Johnson appeared to find another gear. Fredericks, running fast and true, must have received the shock of his life, seeing a blur on his left pulling away from him. The way he kept his concentration - he would finish just 0.02 seconds outside the old world record - was almost as impressive as the fast unravelling in front of him.

Johnson, short legs pumping with immaculate rhythm, destroyed the field in the last third of the race. The vulgar gold shoes crossed the line in an outrageous time - 19.32 seconds, beating the world record by more than three-tenths of a second. As in all improbable sporting moments, an unreal hush followed the roar of acclaim. Johnson looked as shocked as anyone. "My dad once bought me a go-cart when I was a kid and I used to go downhill on it," he said afterwards, "that feeling is the only thing I can compare it to." The rest - Fredericks included - might as well have been climbing a mountain.

Tennis John Barrett

On a sultry, sweaty night at Flushing Meadows, defending champion Pete Sampras is near the point of collapse. He is playing Alex Corretja, an unseeded Spaniard, aged 22 and ranked 31 in the world.

Trailing unexpectedly by two sets to one, Sampras has fought back to take the fourth set 6-4. After more than four hours his reserves of energy are low. Fatigue and nausea are draining the energy from his legs. Corretja, fitter and faster, bounces up and down, sensing his moment of triumph.

In the tie-break that will end the match, the Spaniard, racing to his right, misses a forehand pass at 5-5. Match point to Sampras. But a forehand error makes it 6-6. Now a good serve brings match point to Corretja who waits while Sampras, clutching his stomach, shuffles towards the back fence, leans on his racket and vomits.

The umpire issues a time delay warning. Roars of protest from 19,000 throats. A lunging Sampras volley makes it 7-7. Barely able to stand, the American gathers himself for a second serve. A gasp as he smites an unexpected ace. Match point again. Another delay as Corretja, visibly edgy, prepares to serve. Sampras totters into position.

The double fault that follows is one of the cruellest moments I have ever seen on a tennis court. Corretja staggers forward and crouches in an agony of disappointment. Sampras raises tired arms and shuffles towards the net where he meets his opponent in an embrace of mutual understanding.

Sampras has survived to his fifth US Open semi-final. Corretja has played the match of his life. "It was the best match of my career, and the worst one," said the loser. Sampras, who needed an intravenous drip to rehydrate after his ordeal, had proved he was a survivor. "I do care, I do have heart, I hate to lose," he said.

Motor racing John Griffiths

There was not a dry eye in the house when Damon Hill took the chequered flag at Suzuka to win the 1996 Formula One world motor racing championship for which this talented, decent and honourable man had worked so hard.

Happily, the record books will show baldly that Hill was champion. Memories will fade that his



Johnson: excited

title was secured under the shadow of another whose talent it is now manifest, is indisputably greater. Hill is champion; Schumacher, Michael, is faster - by a country mile, and over every other current driver.

The truly defining moment of driver ability in 1996 came not when the flag fell at Suzuka, but when the heavens cried at Catalunya. Rain is the great leveller of grand prix cars; the distinguisher between the great and the only very good in terms of drivers.

Practice for the Spanish grand prix had proved what we all knew: that in the dry Schumacher's Ferrari was hopelessly uncompetitive. Then came the

Schumacher, too, was caught up emotionally in the rhythm of his and the Ferrari's dance

rain, and the final, certain knowledge that history will place Schumacher among motor racing's all-time greats.

In an awe-inspiring "moment" lasting 50 minutes, Schumacher positively danced his Ferrari along the very brink of the endless, slippery and deeply perilous precipice which all circuits become once rain-lashed.

Time after time after heart-stopping time, the red car's back end snapped out only to be caught and held so swiftly, so surely that, by the chequered flag, high drama had become hypnotic routine. From mid-way down the field at the first corner, Schumacher was in the lead by lap 12. Thereafter, he romped away: faster than all others by four seconds - nearly 200 yards - a lap, to be 46 seconds ahead at the finish. Catalunya told us far more about this cool, calculating and, some insist, arrogant young German, than simply that he won.

Schumacher wanted to send a message: clear and demoralising to all rivals - that on a level playing field he is, simply, the best.

Yet, in the end, the moment also overtook the man. Schumacher, too, was caught up emotionally in the relentless rhythm of his and the Ferrari's dance. The display became one beyond tactics, strategies or points-scoring. Here was a man exulting in an innate talent, and even Hill fans exulted with him.

Rugby Huw Richards

The last 12 months are liable to be remembered longest for off-field events, and in particular the

way in which the two codes transformed their traditional rivalry into competing to see which could self-destruct first. There was also some rugby.

A choice of highlight is inevitably personal, some might say biased. For me it was produced by a player whose team lost, and who was dropped two games later.

Arwel Thomas, then of Bristol, now of Swansea, was playing his first European Five Nations championship match - and only his second international of any kind - when Wales were awarded a penalty deep inside the England 22m line a few minutes into their meeting at Twickenham.

All the rules of rugby *realpolitik* said that Wales should kick for goal and take the easy three points on offer. In a percentage-playing game there was no other option. But Thomas took a quick tap penalty and Hemi Taylor forced his way over for a try.

It was not actually that well executed, the score owing as much as anything to English inattention. A well-drilled, disciplined percentage-playing team, they knew that sort of thing just did not happen in internationals. And that is the point. At its best rugby is a game of quick wit, imagination and doing the unexpected.

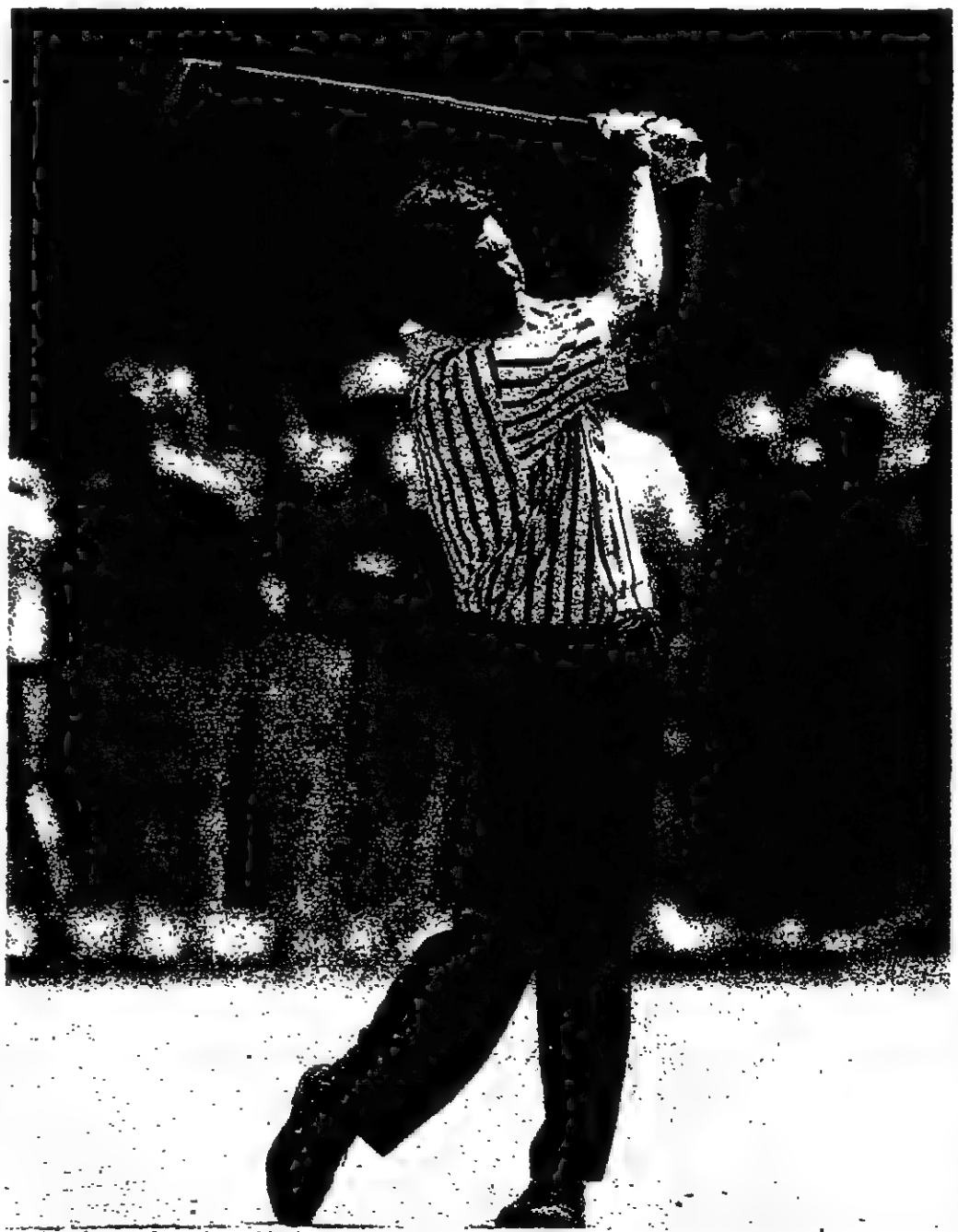
The best Welsh teams in particular have had those qualities. But recent teams, dispirited by poor results, looked inhibited - almost afraid - and bent above all else on damage limitation. The next few years are as likely to see Arwel Thomas joining the likes of Glyn Davies and Peter Morgan among the Welsh game's never-quite-as-ranking with Barry John or Cliff Morgan among the greats. But in that moment he showed us again a style that is not afraid, takes risks and reminds us why the game is worth watching in the first place.

Cricket Teresa McLean

So often the most unlikely day's play turns out to be enchanting. I was reminded of this when I agreed reluctantly to go to a 40-over thrash between Essex and the one-day experts Lancashire, at Chelmsford on Sunday June 9.

The river does not run so much as ooze through Chelmsford and I feared the Essex cricketers would do the same and produce a poor match. I did not mind which side won, but I did mind the prospect of a sunny afternoon wasted on bad cricket.

That is why Graham Gooch's mastery 87, scored in 82 minutes, was a delight. The only cooling it did was that of confidence. Its two outstanding features for me were its unexpectedness and its assurance. Gooch and Paul Richards' fourth wicket stand of 123 was the backbone of Essex's winning total of 249 for 6.



Faldo: majestic

Both batsmen were removed by Lancashire's energetically erratic Peter Martin in his eighth and final over, which ended with two wickets, two wides, two singles, a four and a farewell Gooch six to its name. The cricket was never dull.

I enjoyed Gooch's innings, with all its smooth scoring strokes, more than I enjoyed Mike Watkins' brave and flamboyant 87 in reply because it came as more of a surprise. I had let myself forget Gooch's long history of scoring faster than it seems, in all kinds of cricket.

Baseball Jurek Martin

It has not been a vintage year for spine-tingling moments, like Cal Ripken in 1995 hitting homers in the games he tied and then passed Lou Gehrig's durability record.

Excluded are Kerri Strug's Olympic vault (too short and hyped), Evander Holyfield's knock-out of Mike Tyson (too primal) and Tiger Woods's spectacular arrival in professional golf (no single defining shot).

John Parisi, of the Federal Trade Commission in Washington, helped us out of the rough. He points out that baseball again this year touched not merely the spine but, literally, the heart. It happened on the off-day between games five and six of the World Series.

The New York Yankees had turned an 8-2 deficit into a 3-2 lead but were facing the nonpareil Atlanta Brave pitcher, Greg Maddux, on his home turf on Saturday night.

Of many sub-texts in baseball's play-offs (recovered addicts, a player from Curacao, a 12-year-old extra fielder) none held greater human interest than the plight of Frank Torre, brother of

Yankee manager, Joe, in hospital desperately awaiting a heart transplant.

Unlike Joe, Frank only made the major leagues briefly in the 1980s. But on that Friday a suitable heart was found and successfully installed. Parisi read about it on the Saturday morning and said to himself "that's it, Divine intervention, the Yankees must win".

As indeed they did that night. Or, as Joe Torre put it, "just like an old baseball player, he got a new heart on a travel day".

Beats jumping, punching and wedging any day.

**Soccer
Peter Aspdon**

The European Championship held in England was by no means a classic tournament, yet it featured its share of sublime moments: Karel Poborsky's

scoop-shot to knockout a pretty but ineffective Portuguese side; Devor Suker's wicked chip over Peter Schmeichel; Jürgen Klinsmann's explosive turn and finish against Russia. No matter how efficient and resilient modern defences have become - and they were extremely effective in this tournament - there are still certain players who can turn a game in a moment.

England suspected they had one of those in the wayward, prankish figure of Paul Gascoigne. Yet for a game and a half, he did little to justify his supporters' faith. In the game against Scotland, he puffed and strained to make an impression, but it was England who escaped lightly when David Seaman saved Gary McAllister's penalty.

Then, inspiration struck. A surging run forward, the defeat of flicks on the run with his left foot, an emphatic volley with his right. England were transformed. The goal, apart from swinging the game, had a talismanic effect on the side, which shed its inferiority complex and began to play with the sophistication demanded by international football.

England lost an epic semi-final against Germany, who went on to win the championship. But Gascoigne's goal made sure they went out with a certain amount of style. Football came home to a moment of native brilliance.

Golf Derek Lawrenson

The Masters has long held a reputation for being the most exciting of golf's four major championships but what happened at Augusta last April went beyond drama. The last day's play developed into an epic and the repercussions for the two protagonists endured all year.

Yet with a round to play who could have guessed as much? Greg Norman had outplayed Nick Faldo over the closing holes of the third round to set up a six shot leading going into the final day. A coveted first green jacket, after so many disappointments, now appeared a formality.

Such a scenario discounted one impediment: that where Faldo is always inspired under pressure, Norman is often inhibited. If Faldo whittled away at the lead early on, then there was every chance that Norman would crack. So it proved.

The desperate sadness of watching a man unravel before one's eyes was weighed against admiration for a consummate stalker.

At the end Faldo hid his own joy to embrace the vanquished in a supreme sporting gesture. When he returned to Britain two months later he found himself showered with an affection that hitherto had always been missing; Norman, meanwhile, lost his appetite for the game. It will be Augusta next year before it fully returns.

BOOKS



Pier Paolo Pasolini: 'Petrolio', the late film director's novel of lust and power which has been suppressed for 17 years, appears in May

The Nobel Collection

Hedonism – and feminism

Jackie Wullschlager looks forward to what the publishers have in store for us during 1997

If you're feeling guilty about festive excesses, the perfect New Year cure is Richard Klein's "post-modern diet book", *Eat Fat* (Picador, January). Klein wrote the subversive *Cigarettes Are Sublime* and his celebration of fat – "Politicians cultivate it, singers require it, gourmets appreciate it, and lovers play with it" – is as iconoclastic. Along with other versions of hedonism-on-the-page such as Jared Diamond's *Why Is Sex Fun?* (Weidenfeld, June) and Peter Mandel's *The Fall and Rise of the State* (Yale, April), about the post-1970s obsession with country houses and leisure weekends, this marks a new 1990s genre of sophisticated commentaries on pleasure, the intellectual's riposte to bestselling cookbooks and wine guides.

The mood in the publishing industry, which enters the New Year with a £150m debt of unearned advances, will be more serious. The search is on for young writers who can be groomed into the Jeffrey Archer of the next millennium, and eyes will be fixed on the fortunes of a handful of fat, new commercial novels which have begged six-figure advances. These divide increasingly into his-and-hers niche markets: the slick, scientific techno-thriller, which flatters businessmen with fantasies of power and knowledge, versus the photocopy-and-datasheets romance bought by working girls.

Michael Cording gave up a £70,000 a year marketing job to write *The Miracle Strain*, a biotechnological thriller about a scientist who invents a gene-scope, an instrument which decodes human genetic software. It was snapped up as one of 1997's likely bestsellers by Bantam Press for £150,000. Hollywood rights are on the way. Similar books which have pre-earned large sums confirm that biotechnology and genetics will fuel the techno-thriller craze in the late 1990s. Paul Carson's *Scorpion* (Hainemann, July) is a medical page-turner set in a Dublin maternity hospital; Ken Follet's *The Third Twin* (Mac-

millan, February) hinges on a genetic research programme which a female scientist must uncover to solve a murder. Matthew Lynn's first novel *Insecurity* (Hainemann, April) also has a trendy woman scientist, at work on a vaccine against a deadly new virus, framed for a crime. A Danish rival, Michael Larsen's *Uncertainty* (Sceptre, January), is a European bestseller: a journalist searches, via computer-enhanced imagery, pornography and industrial theft, for his girlfriend's murderer. This is the quintessential 1990s plot – spun on a mix of the modern tools (drugs, computers, psychotherapy) with which we distance ourselves from ourselves.

The 1997 twist to international thrillers is a Hong Kong setting. John Burdett's *The Last Six Million Seconds* (Hodder, January) has a race-against-the-clock murder mystery to be solved before Hong Kong is handed back to the Chinese; in *The Year of Living Dangerously* (HarperCollins, June) John Gordon Davis pits a lawyer and a prostitute against a Mafia boss caught importing uranium into the colony.

Women's bestsellers look as sheltered as a Victorian nanny in comparison, but here too it is sophistication that earns fat advances. Marian Keyes, a 32-year-old accountant, received a "large six-figure sum" for *Lucy Sullivan is Getting Married* (Mandarin, February), a hangover-and-angst story which will take any urban female irresistibly back to her mid-20s, yet has a vein of romance running through its street-cred bravado. It belongs to the smart gossip-with-girlfriends genre which is transforming 1990s women's fiction. Other examples: Jane Green's *Best Friends* (Hainemann, August), and – with literary pretensions – Louise Erdrich's tale of the erotic couplings of a tycoon's five wives in *Tales of Burning Love* (Flamingo, February) or Helen Dunbar's short stories *The Love of Fat Men* (Viking, June). It promises to be a fine year for

quality fiction. There is *Paradise* (Chatto, October) by Toni Morrison; Paul Theroux's *Collected Stories* (Hamish Hamilton, January); new novels from Tom Wolfe (Cape, October) and Peter Carey (Faber, September). Rose Tremain's *The Way I Found Her* (Stclair Stevenson, May) tells of a teenage boy in Paris. *The Forsell Symphony* (Chatto, May), testimony of a gay man who has outlived his friends, is the final part of Edmund White's autobiographical trilogy. Pier Paolo Pasolini's *Petrolio* (Secker, May) is a novel of lust and power which has been suppressed for 17 years.

Three big historical novels are Thomas Keneally's *The Great*

Sophisticated commentaries on pleasure mark a new 1990s genre – along with the biotechnological thriller

Shame (Hainemann, September), about the 19th-century Irish diaspora after the famine, Fred D'Aguilar's *Pleading the Ghosts* (Chatto, June), a story of an 18th-century slave ship owner who threw 100 slaves into the sea – and what happened, on board and later in an English courtroom, when one of them managed to climb back on – and *The Nature of Blood* (Faber, February), Caryl Phillips' interlocking tales of an African general in Renaissance Venice and a Jew in Nazi Germany.

New names to watch: Ian Pears received a large advance for *Resistance of the Finger Post* (Cape, October), a historical/literary novel likened to *The Name of the Rose*. Norwegian Erik Hansen's *Prison at Journey's End* (Secker, June) about seven musicians going down with

the Titanic, has been a European bestseller translated into 23 languages. And Arundhati Roy received £150,000 for her first novel about twins growing up in Kerala, *The God of Small Things* (Flamingo, June); will she be the Amy Tan of India?

Dominant *fin-de-siècle* themes emerging in non-fiction are (1) a non-dogmatic, popular feminism; and (2) an apocalyptic way-we-live-now social analysis. We are all supposed to be feminists, so a staggering number of serious books about women's identity are flooding the market. After *The Beauty Myth*, Naomi Wolf challenges the idea that now is the freest sexual era for women in *Promiscuities: An Optimistic History of Female Desire* (Chatto, April). If this sounds like teenage bragging-and-pouting feminism, more weighty will be an overhaul of myths about the wise old woman archetype in Clarissa Pinkola Estés's *The Dangerous Old Woman* (Chatto, July). Joan Smith ranges from essays on Princess Diana to *The Story of O in Different for Girls: How Culture Creates Women* (Chatto, July), a look at female role models. Clare Longrigg's *Women in the Mafia* (Chatto, June) suggests that a new involvement of women in crime is triggering social revolution in Italy. A lone, impressive voice sounding out against them all will be psychiatrist Anthony Clare in *Men* (Stclair Stevenson, October).

In *Hystories* (Picador, May), feminist Elaine Showalter argues that hysteria, traditionally seen as a female disorder, is a universal illness. As radical a critique of our times comes from David Jenkins, former Bishop of Durham, in *Can We Think Again?* (Stclair Stevenson, May), about "markets, politics, people and God", and the trivialisation of the individual into a consumer. In *From Desire: The Psychology of Money* (Macmillan, June), James Buchanan surveys art, finance, and philosophy to show that money and its illusions of happiness has led the world to unprecedented instability.

Tom Athanassiou's *Slow Reasoning: The Ecology of A Divided Planet* (Secker, February), lays bare the fallacies of feel-good environmentalism and roots the environmental crisis in the rich/poor national divide; Jared Diamond synthesises history and ecology in an enquiry into the reasons for this inequality in *Guns, Germs and Steel* (Cape, February). Science book of 1997 will be *What Remains To Be Discovered* (Macmillan, March); John Maddox argues that scientific knowledge is just at the beginning and takes us on a tour of the big questions – how did the universe begin? what is consciousness? – waiting to be answered in the next century.

Biographical highlights focus on the 18th and early 19th centuries: Claire Tomalin (Viking, September) and David Nokes (Fourth Estate, September) on *Jane Austen*, Andrew Motion on *Keats* (Faber, October), Playlle Grosskurth on *Byron: The Flower Angel* (Hodder, February), Stella Tillyard on *Chatterbox* (Chatto, April), a son of the wild Lennon family introduced in *Aristocrats: Unknown Quantities* include Donald Rayfield on *Chekhov* (HarperCollins, June), Andrew Jay Hoffman's *Inventing Mark Twain* (Weidenfeld, June), another *Graham Greene* (Weidenfeld, May), by W.J. West. I much look forward to Paul Ferris on *Freud* (Stclair Stevenson, September), A.N. Wilson on *Paul: The Mind of the Apostle* (Stclair Stevenson, March), Frances Spalding on *Durand Grant* (Chatto, May), Anthony Bailey on *Turner* (Stclair Stevenson, May).

Finally, two mavericks will be among the most original books of 1997 – Noel Malcolm's *The Origins of British Nonsense* (HarperCollins, June); John Malcolm Russell's *From Minnow to New York* (Yale, April), a true detective story about the wheelings and dealings of Metropolitan Museum art collectors and Victorian heiresses, whose working title was "The Architect, The Industrialist, His Wife and Her Cousin".

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Happy singing the blues

B.B. King's signature tune is "Every Day I Have The Blues", but reading this good-natured biography it is sometimes hard to believe that it's true. Despite taking more than 20 years to reach the mass audience, King has always been the most accessible of bluesmen, visibly trying to please his audience. It is a form of seduction, and love appears to be the key to King's life.

According to his recollections, B.B. was six years old when he began making love with his seven-year old sweetheart. He has spread himself wide, if not thin, ever since, fathering 15 children. Although he would appear to have remained true to only one partner, his famous guitar, Lucille, he also reveals that there have been 17 Lucilles.

Riley B. King's father left his mother, only to reclaim young B.B. after his mother's early death. This double-abandonment produced a premature self-sufficiency in King. King found his own work-ethic rewarded by sympathetic authority figures, both black and white. This gave him the foundation which resulted in his eventual move to Memphis to make it in the music business.

King's early blues influences were his cousin Bukka White, Elton Lemon Jefferson, and Lonnie Johnson. But radio brought all kinds of music his way, and from the first his tastes were eclectic, embracing jazz and white country music as well as the blues. His easy approach owes much to Louis Jordan, just as today's leading popular bluesman, Robert Cray, owes much to King.

He began playing that music on the radio before he took off for the hard life of performing on the road. Although his music was popular from the start with black audiences, he missed the first chance to "cross-

Michael Carlson



Seductress B.B. King

The ones that got away

Susanna Rustin asked 10 publishers which books they would have most liked to publish during 1996, the ones they were proudest of and the ones they were glad to have missed

The year's literary prizes have been given away. Editors have published their selections from this year's crop. For publishers, these are days of reckoning. Which are the titles that they most envy their competitors? Were they surprised by others' unlikely triumphs, or mortified by their undeserved successes? Which were the year's really special titles, books any publisher would be proud of? And which were those that they are relieved to have turned down? We invited 10 London publishers to share their pre-Christmas thoughts and end-of-year regrets.

Sue Fletcher, Hodder & Stoughton: "The novel I most wish I had published is Kate Atkinson's *Behind the Scenes at the Museum* (Doubleday/Black Swan), out in paperback this year. I was the underbidder and it remains the one I mind most about having lost. Dava Sobel's *Longitude* (Fourth

Estate) must be the envy of every publisher because it was an unpredicted bestseller that restores everybody's faith in the robust qualities of the market. I'm certainly glad we didn't get involved with Christopher Creighton's *Op JB* (Simon & Schuster) and I am proud of having published Willie McIlvanney's long-heralded novel *The Kib*. It's a wonderful book, has been number one for weeks in Scotland and was shamefully overlooked by the London prize-awarding establishment."

Richard Cohen, Richard Cohen Books: "The novel I most wish I had published (and am looking forward to reading) is Seamus Deane's

Reading in the Dark (Cape). I would love to have published Ian Jacob's *Worldly Goods* (Macmillan), which deals with a period and a subject which fascinates me. I was a disappointed underbidder for Jessica Douglas-Hume's *Violet: The Life and Loves of Violet Gordon Woodhouse*. *Longitude* is the book that any publisher would be proud of, especially now that it has sold 100,000 copies. I do regret turning down Alex Garland's first novel *The Beach* (Viking), which I did because the author is a friend's son. The book has done better than I expected or even hoped."

Ursula MacKenzie, Transworld: "There are two novels I would like to have published – Robinson Mistry's *A Fine Balance* (Faber) which is a splendidly rich and vivid story, Dickensian certainly, and, like Dickens, very readable, and Scott Turow's *The Laws of Our Fathers* (Viking), which we bid for but lost, a novel which reads me think about the legacy of the 1960s in an entirely new way. On the non-fiction front, we were underbidder for *Angela's Ashes* (HarperCollins) by Frank McCourt. Beautifully written, evocative, shocking, funny – a

memoir to be savoured." Hilary Hale, Little Brown: "I have to declare an interest in my favourite novel *Drumsey* (Michael Joseph) by my husband. That said, it is an absorbing story with a perfectly painted background and I know I'll often re-read it for pleasure and comfort. I'd also have loved to publish Frances Fyfield's *Without Consent* (Bantam). Her portrayal of evil is chilling and she points out the faults of the justice system more succinctly than all the politicians put together. I am certainly envious of Viking publishing Alec Guinness's *My Name Escapes Me* and I'd guess more than a few publishers would have liked to be behind *Longitude*. I am proud to have published Hilary's *Wilding* (Faber) which is a splendidly rich and vivid story, Dickensian certainly, and, like Dickens, very readable, and Scott Turow's *The Laws of Our Fathers* (Viking), which we bid for but lost, a novel which reads me think about the legacy of the 1960s in an entirely new way. On the non-fiction front, we were underbidder for *Angela's Ashes* (HarperCollins) by Frank McCourt. Beautifully written, evocative, shocking, funny – a

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been most proud to publish is Norman Davies's *Europe: A History* (OUP) which has been acclaimed as the best one volume work on its subject we are likely to see for a generation."

Carole Welch, Sceptre: "One of the novels I would most like to have published is *The Inland* by Rupert Thomson, an exceptional writer who does not receive as much attention or have as large a readership as he deserves. There have been several excellent literary biographies, including Rosemary Ashton's biography of George Eliot and Hermione Lee's *Virginia Woolf* (Chatto), but not one I think that has so outperformed the rest that it is the envy of the trade. The non-fiction title whose spectacular sales everyone must envy is *Longitude*. I am most relieved not to have been connected with any of the Fergie books. Finally, I would have been proud to have published *Last Orders* by Graham Swift (Picador), not because it's an excellent novel, but because its success has so thoroughly vindicated the faith that Picador have kept in a writer whom many thought would never equal his debut."

Jonathan Riley, Picador: "The novel I most wish I had published is Patrick McGrath's *Asylum* (Viking) which confirms McGrath's status as one of the most powerfully imaginative writers of fiction today. My favourite non-fiction title was Redmond O'Hanlon's *Congo Journey* (Hamish Hamilton) which is, I think, the best book yet by this incomparable traveller. The single title I would have

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ARTS

Orchestras in tune with the times

In Vienna you can hear more of the best German-language opera and *Lieder* singers, a great orchestra, and chamber-ensembles steeped in the Viennese-classical tradition. In New York, more of the best Italian, and the native voices, who nowadays form a sizeable proportion of the world's most thoroughgoing professional, the NY Philharmonic, a constant stream of fine visiting bands and instant appearances by any soloist who has created a sensation somewhere. Paris, Berlin and Amsterdam have their own strengths, slightly more parochial.

But the enormously wide range of "classical" music in London is unequalled, its catchment-area for European artists spread wide and judiciously, the average quality of the performances remarkably high: I believe we are uniquely lucky. An extraordinary number of non-British performers choose to live in London, even when their careers are

largely abroad — as much because of the rich musical fare here as of the convenience of Heathrow, with flights to almost anywhere where they might be giving concerts.

You might suppose, on account of press reports, that London's main attractions (*five of them, an extravagant number*) and opera — *two, like New York and Vienna* — are in the imminent peril of collapse and bankruptcy. Indeed, you may have thought that for several years; and yet none of those national treasures has fumbled. The Royal Opera may have pulled in its horns — very few new productions, many dogged recyclings of old ones — for the last few months before it shuts for rebuilding, but the English Opera House positively bristles with new activities.

Meanwhile the *Wigmore*

Hall, under Bill Lyne's canny direction, is sold out again and again for solo recitals and chamber music. Performers love it for its perfect acoustics; somebody in the Kuhnle Festival team, rehearsing there last year, exclaimed "It's like playing inside a Strad!"

Admittedly it is "elitist". The Wigmore holds a nightly audience of less than 800, and quite often its devoted subscribers gobble up the seats before the general public has a look-in. We could well do with another London hall designed for an audience of 600 or 800, if it came anywhere near to matching the Wigmore sound – an acoustic that leaves your best CDs sounding flat and distant.

With various results, our five chief orchestras survive in the bigger halls. The ISPO

through its secure Barbican residency and the return of Sir Colin Davis as its principal conductor; the BBC SO through public funding, but also by boldly imaginative programming and promotion. Last month its eminently worthwhile but unlikely performance of William Bolcom's *Songs of Innocence and of Experience* after Blake - Bolcom is a jolly American ecstic, hardly known here - was broadcast a full house at the Royal Festival Hall, its recent policy of selling all-unreserved seats at a modest fixed price has paid off extremely well.

The struggling Royal Philharmonic has decamped to the Albert Hall, hoping there to enhance its reputation beyond the ragged-CD market. Though it has a trump card in its

new conductor Daniele Gatti, prior commitments mean that he can begin full-time operation with the orchestra only from March; we wait to hear.

Just in the nick of time, the Philharmonia has acquired Christoph von Dohnányi as its principal conductor, who should assure their future for a good while. Only the London Philharmonia dangles in the wind, and even though it is, since Hans Knipfer withdrew as its principal conductor it has been in desperate need of a full-time conductor with clout, and so far have not found him.

The times are difficult for classical orchestras, but not only in Britain. A major American orchestra on tour has been on the verge of striking on the very day it was to reach Vienna; and a

week or so after one of the great performances I heard this year — of Bruckner's Third Symphony, by Kurt Masur and his Leipzig Gewandhaus orchestra — that conductor resigned in disgust over the bureaucratic and financial constraints that were cramping his musical work.

Though nobody says it, the fundamental problem is that the classical symphonic repertoire was budgeted for performance by lowly, ill-paid musicians, and is now played by highly trained and well-rewarded ones. The figures don't add up: respectable wages for an orchestra of a hundred or more expert players translated to stringent standards, most of whom could (and often do) earn more these days by cut-off stimuli for television

commercial, exceed the take for almost any adequately rehearsed concert.

Now, the inherited repertoire that we love is almost a guaranteed loss-maker in live performance. It needs to be propped up by profitable CD recordings – the very thing that threatens live performance, in which performers have perfect their expertise before turning to records for a decent payoff.

As for contemporary music, even modestly “atonal” stuff demands more sharp-earred, acrobatic playing than most of the older repertoire, and the 14-odd years have found composers exploiting composers with the lavish state support of the 1960s and ’70s in mind – whole orchestras to possess none

reserved heretofore to solo virtuosos.

In present circumstances it is almost miraculous that the Royal Festival Hall and the Barbican can afford to put on anything at all. And yet they do, of course (with help from the BBC, without whom London concert-life would be far poorer; and often to well-filled, even packed houses).

Looking back through the year, I seem to have encountered enough really distinguished performances for several seasons: a grand Britwilde retrospective on the South Bank, an extraordinary Mahler Ninth by Benjamin Zander and the Philharmonia at the Barbican, a luminous Bruckner Sixth from Colin Davis and the LSO, Kent Nagano's brilliantly imagined concert-staging of Beethoven's *Damnation of Faust*, Kurt Wille's *Silberstein* at the Proms - to mention only a few that have come my way, and not mentioning all of the splendid smaller recitals at the Wigmore and in the Purcell Room. How on earth do we do it?

Pop Records in 1996

Back to the future

It has been a year rich in discoveries in the pop world, but not always of a positive kind. Oastle fans found that their hydra-headed, capable of the sublime and thrilling performances at Knebworth and Loch Lomond - and the mediocre - a Liam-line-up playing a polished but uninspired *Uppage* set at the Royal Festival Hall just a few days later.

Beatles fans finally discovered, with the release of *Anthology II* and *III*, that there were no lost masterpieces left in the can after all, just some admittedly high-class doodling in the studio, the previous year's all-conquering *Red* found that superstardom can be pretty tickle business, when their generally excellent *New Adventures* in *Hi-Fi*

Again); even Prince, with the triple *Emanation*, showed signs of a return to form, but after all those years of childish posturing, if anyone cares, anyone.

R.E.M., having signed the mega-deal of the year with Warner Bros., rewarded their new label with *New Adventures in Hi-Fi*, a dense and characteristically moody work which certainly deserved to do better in the charts — what price a return to the heavier, rock-oriented sound of *Monster* for their next move? Beck's *Odelay* was the most intriguing American export of the year, with its bewildering blend of rap and balladry, sampling and pedal steel guitar, folk tunes and grungy arrangements. One to look out for in the future.

album sold disappointingly.

In the absence of a new Oasis album, and with the world's eyes, courtesy of Newsworld's "London Is Cool" spread, firmly set on Albion's wingers, Britpop's other contenders had to make the most of their stuff.

And very pleasant it was too; this is something of golden age for mopey, three minute melodies with a hook you can whistle on your way to the rave.

Dodgy (*Free Peace Sweetest*) and The Beautiful South (*Blue is the Colour*) made respectable contributions to the genre, but Ian Brown and his White Line Black Out band made the most case to celebrate 1998, not only for the timeless and exuberant *Decay Heights*, but also the extraordinary success of England's Euro 96 anthem "Football's Coming Home", written by Brudenry, whose face as he sat among the guests in Wembley's Royal Box was the picture of blissful contentment. A song

It has been a bad year for the giants of the 1960s, who received so many name-checks from worshipful bands in 1996 that they might have been fooled into thinking that time had stood still. It hasn't. The Beatles' *Anthology* albums were fascinating to hard-core fans, but revealed few new gems. My personal favourite moment was a remarkable early version of John Lennon's "Tomorrow Never Knows" on *Anthology II*, which sounds about 25 years ahead of its time.

Ocean Colour Scene's *Mosley Shoals* was full of good tunes too, and featured some tasty playing; at best, the band captured that loose, raunchy feel of middle-period Stones, while their single "The Riverboat Song" showed off their more sophisticated side to tellin' tales.

The Manic Street Preachers achieved the remarkable feat of causing their hometown of Newport, Wales to be described as the "new Seattle." *Everything Must Go* was a powerful work, raw and authentic and tinged with a sense of doom, which made for a pleasing contrast to their unrepentingly jolly competitors, although I found it a little overenthusiastic.

The same cannot be said of The Rolling Stones' *Rock and Roll Circus*, from 1968, sold as the moment when "it seemed that rock and roll would inherit the earth", although the subsequent video better captured the mesmeric allure of the young Mick Jagger and a very beautiful Marianne Faithfull. The remaining members of The Who made a brave attempt to capture the spirit of their heyday with a live performance of *Quadrophenia* in Hyde Park, but the elements, and a general air of Euro 96 anti-climax, were against them.

Kula Shaker effortless won the illustrious 1960s post-punk award with *K*, a remarkable act of homage to eastern mysticism, heavy bass playing and lyrical non-sequiturs; yet the group is rather winning in its sheer naivety, who else would dare open an album with a song called "Hey Dude"? Or write a tribute to Jerry Garcia? Maybe they are just teasing us after all.

The title of George Michael's long-awaited post-courtesy room wangle album, *Older*, declared its intentions with refreshing clarity: lyrically this was his most mature work, but the slickness of the music was a little predictable, particularly on the up-tempo numbers. Other notable comebacks came from Neneh Cherry (*Man*) and Patti Smith (*Mar-*

Once again, the category known as world (the non-Anglo-Saxon) music provided some of the most original and curious moments of the year: Nitin Sawhney's *Displacing the Priest* mixed Asian spirituality with jazz-funk; the Afro-Celt Sound System's *Volume One Sound* was *Magical* sounding exactly as you would think, and made as surprisingly smooth music.

Finally, to a category of album which has in the past been rightly described as uninteresting and exploited: the movie soundtrack. This year there were two essential *aide-memoires* to two very fine movies: *Dead Man Walking* featured songs by Bruce Springsteen, Johnny Cash, Suzanne Vega and others which had been inspired by Tim Robbins' film, as well as the actual soundtrack which twinned *Nusrat Fateh Ali Khan* with Eddie Vedder to Marvellous effect.

Then there was *Transporting*; can we ever again live to Iggy Pop's *Last for Me* without thinking of the thrilling, adrenalin-charged opening of Danny Boyle's brilliantly realised film? A perfect blend of sound and image, at once life-enhancing and terrifying. There are worse ways to remember 1996.

Peter Aspden



The dominant Royal Ballet artists were Irak Mukhamedov, his Abrach and Romeo without peer; and Dorecy Russell, for whom 1996 was a year of radiant achievement.

Dance in 1996/Clement Crisp

In search of the way ahead

Dawn Powell (an under-rated writer) noted: "Depressing year, but not as depressing as the thought of a new one". The words strike a chord as I look back over 1996 and wonder about the security of our dear, old and, everyone supports, indestructible ballet. Ballet is the chief matter I reviewed this year. It has not looked in good health for some time, and little in the past 12 months leads me to believe that it has found — or faintly discerned — a way ahead. (The year, significantly, brought the death of Lincoln Kirstein who made possible the flowering of 20th-century classical ballet when he brought George Balanchine to America).

1996 was the year when a travesty of *Swan Lake* and Matthew Bourne's *Male of the Sorcerer's Glass* reached the West End and played in continuing performance for months. It was the year when the Bolshoi Ballet went to Las Vegas and died a box-office death. And as the old balletic order crangeth, yielding place to nothing new in Russia, disarray is rife. Without its Soviet identity, Russian ballet has yet to find a reason for existence. (I saw the Bolshoi in Graz, and was saddened by the prevalence of harsh bravura in the performances). Both new choreography and new incentives are urgently needed to save the art from seeming as martialled and remote as it was in Russia when our century began.

Few are the choreographers today who boast the clarity of means and sense of lineage so essential to ballet's life. Jerome Robbins makes small, perfect things: his *Bach's cello suite* at the Paris Opera (grandly danced by Manuel Legris and then by Nicolas Le Riche) and his *Bach Two and Three-part Inventions* for New York City Ballet were the best novelties I saw this year. (Robbins' forms feintly matched to Bach's.) I rejoice that young Christopher Wheeldon made a graceful *Souvenir de Florence* for the Royal Ballet's Dance Bites tour, and then created the gentle *Pavane* at Covent Garden, where it was enchantingly danced by Darcey Bussell and then with equal lustre by the gifted Chloe Davis. (The rest of the Dance Bites

offerings were a vexation to the spirit.)

A significant creation was Michael Corder's three-act *Chatterbox* for English National Ballet. Corder, when the Royal Ballet decided it could do without — for inexplicable reasons — showed yet again that he is a fluent, musical maker of classical dance. Unhappy news was Matthew Hart's Aids-concerned *Dance with Death* at Covent Garden, an unhappy still the fact that he was to join Rambert rather than remain with his home company. Other novelties of the year were Ashley Page's ludicrous duet for Mukhamedov and Viriana Duranto to a Lisztian hodge-podge, and his *Two-part Inventions*, over-egged as to score (a Prokofiev piano concerto and a minimalist sound-track) and under-ordered with steps and design. David Bintley's *Far from the Madding Crowd* for his Birmingham Royal Ballet is destined never to be far from the maddened box-office, so well-equipped is it with rustic charm. An awful arrival in Birmingham from Canada was James Kudulka's *Baiser de la Ixte*, but Bintley pulled off an ebullient version of Duke Ellington's jazzed-up *Nutcracker* with his Nutcracker *Sweeties*, which his artists danced joyously well. Bintley also encouraged 11 young dancers from his company to make choreography to sections of the Mozart Requiem: a brave move and very welcome. (This creative work-shop is repeated this winter: cheers and more cheers.)

At Covent Garden, 50 years of Royal Ballet residence was marked by a gala performance of *Sleeping Beauty*. Some of the dancers from 1946 (a blessed horde) were on stage to see Darcey Bussell triumph over a hideous staging, and Dame Ninette de Valois, indomitable, glorious, came on stage in her 98th year. The company paid tribute to Kenneth MacMillan by reviving *Anastasia* in a handsome production (in which Viviana Duranto and Sarah Wilder were excellent), bringing back *The Prince of the Pagodas*, and restoring *The Invitation* to the repertoire. Dominant male artist at the Opera House was Irek Mukhamedov, his Albrecht and his Romeo without peer. For Darcey Bussell, 1996 was also a time of radiant achievement: her

dancing has been an abiding marvel. Adam Cooper in his Opera House repertory and as Bourne's Swan was powerful, haunting, a rare artist.

Birmingham Royal Ballet gave an alert reading of *Agon* and staged Robbins' *The Cage* in fine style. English National Ballet travelled a great deal, and came to the Coliseum with *Cherdelia* and *Alice in Wonderland* (production as substitute for steps), and *Giselle* (a wrong-headed first act, but Act 2 made tremendous by Thomas Edur's Albrecht). Edur left to join Birmingham Royal Ballet. A Royal Festival Hall season brought a dim "ballet" by Christopher Deam supposedly about the tensions of a

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skater's life. (The ice was cracked, and so was the choreography.) More sensibly, the company acquired MacMillan's *My Brother, My Sisters*.

Among the heroes of 1996 was Christopher Bruce, who led his Rambert troupe to the Coliseum for a triumphant week. Prices were kept below £20, thanks to Granada sponsorship, and ecstatic houses greeted dancers on peak form. Other heroes were Jonathan Burrows, who made *The Step Quotient*, his latest scorching work to date; and Mikhail Baryshnikov. At the Coliseum with his White Oak Project, Baryshnikov was seen — in his 48th year — as a genius of the dance, absolute in command of his art. Mark Morris (who made a beautiful study for Baryshnikov) has this same quality as a dancer. His account of *Ten Suggestions* (mastery dressed in pink pyjamas and toying with a hoop) was a thrilling part of his Edinburgh Festival season.

Heroes of the year included Siobhan Davies, who produced two pieces, her choreography leaving an impression on the best dancers in making shapes and touching our senses; and Manuela Carrasco, a flamenco star who was incandescent amid a less than fiery season at Sadler's Wells. The return of Lynn Seymour to the stage in Matthew Bourne's *Swan Lake* won the "Cause for Rejoicing Award 1996". "Most Welcome Building Work of the Year" was the pulling down of Sadler's Wells Theatre, soon to be replaced by a structure aimed to house dance without the performers harking their shins on the scenery. Among new dance works, I was impressed by Kien Brundage's *Crime Fictions* by his Arc Dance troupe, and his *Ekidoko* for Rambert, which both dealt with the uncertainties of truth.

Abroad, I was grateful for almost everything the Paris Opera staged. At the re-furbished Palais Garnier (millions well spent) and the Bastille, the dancers were on superlative form. Apart from a lamentable new *Coppelia*, there were dazzling accounts of ballets by L'ilar, Robbins, Massine, Petit, Ashton, Paul Taylor, Balanchine. The men headed by Manuel Legris, Laurent Hilaire, Nicolas Le Riche, Kaden Belarbi, were astonishing. Among the women stars, Elisabeth Plate remains a classicist's joy, not least as the ballerina in *Rhapsody*, and Elisabeth Maurin and the young Aurélie Dupont were delights. José Martínez made a tremendous impression in *Rhapsody*, and was also a notable Miller in *Le Tricorne* in Nice.

The Nice Ballet, characteristically, staged an imaginative Picasso programme, with *Tricorne* and *Parade* joined by a version of the *Couadro Flamenco*, Picasso's witty set framing a vivid performance by the Cristina Hoyas troupe. The Paris Opera Ballet School revived L'ilar's *Le Chevalier et la Danseuse* very well in Nancy, Pierre Lacotte presented a restoration of *L'ombre* - one of the treasures of the Romantic age, with Monique Louderique and Andrey Fedotov. In Amsterdam, the Dutch National Ballet staged an admirable Balanchine festival, mounting nine of his ballets - they have another 18 in stock - and in Toulouse the Capri

tole Ballet made a convincing showing in Balanchine's *Liesbesbräuterei*, which is billed in three to four times.

Among national events I salute Scottish Ballet's revival of *L. S. Lylyskö*, made yet more memorable by the presence of two Danish stars: Johan Koborg as a bouncing James, and Sorella Englund as Madge, a performance of malleable wit - it is one of the great interpretations of the year (and, I'd venture, of the decade). Northern Ballet Theatre revived its *Don Quixote* - odder than ever but enjoyed by its public - and staged *Dracula*, which was chilling in effects, if bloodless (no surprise) in dance. I was moved by the year's simplest staging, Wolfgang Stange does wonderful work with disabled performers in his *Amistad* group. In tribute to the Austrian dancer-pedagogue Hilde Holger, he made dance-theatre small in scale, vast in imagination.

The year's disappointment included the Martha Graham troupe at the Edinburgh Festival dances haunted by ghosts more potent than the dancers. Turkey of the year were Michael Flatley's *Lord of the Dance*, which looked like a Nuremberg rally staged to Blarney; the Netherlands Dances *Theater's* brutish repertory brought to Edinburgh; the Grands Ballets Canadiens' provincial offerings at Sadler's Wells; Antonio Gades' *Costume*, an oddly geriatric affair. Anne Teresa de Keersmaeker's mugging of Mozart at the Festival Hall, made all the more obnoxious by superb playing from the *Animaparc* Eterna ensemble. Stinker of the Year was the Joffrey Ballet's Billboards at the Festival Hall - bad drainage as choreography, BBC TV should hand back our licence money for also showing this nasty little item (and two flautist pieces by Ulysses Dove).

The year's berserkerism included two great dancers: Tamara Toumanova, the spirit of Ballets Russes glamour; and Pauline Hinton Gore, a dramatic ballerina both subtle and passionate.

This 1998, I am all too frequently reminded of Max Wall's comment about his own dancing as the year closed in on him. "What you're seeing now is a remnant!"

the genre, but Ian Stroud and his Lightning Seeds have been the most cause to celebrate in 1996, not least for their triumph over incumbent *Daisy Bright*, but also the extraordinary success of England's Euro 96 anthem *'Football's Coming Home'*, written by Brudie, whose face as he sat among the guests in Wembley's Royal Box was the picture of blissful contentment. A sense of its time.

Ocean Colour Scene's *Moseley Shoals* was full of good tunes too, and featured some tasty playing; at best the band captured that looser, ranchy feel of middle-period Stones, while their single *'The Riverboat'* (Songlines) was a little more aggressive side to tell the effect.

The Manic Street Preachers achieved the remarkable feat of causing their hometown of Newport, Wales to be described as the 'new Seattle'. *Everything Must Go* was a powerful work, raw and anthemic and linged with melancholy air, which made a pleasing contrast to their unapologetically jolly competitors, although I found it a little portentous.

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The title of George Michael's long-awaited post-courtroom wrangle album, *Older*, declared its intentions with refreshing clarity: lyrically this was his most mature and courageously personal work, but the sickness of the music was a little predictable, particularly on the up-tempo numbers. Other notable comebacks came from Neneh Cherry (*Garage*) and Patti Smith (*Mar-*

The same cannot be said of the Rolling Stones' 1988 *Steel Bones* and the Sex Pistols' 1986 *Spunk*, sold as the moments when they seemed that rock and roll would inherit the earth" although the subsequent video better captured the mesmeric allure of the young Mick Jagger and the very beautiful Marianne Faithfull. The remaining members of The Who made a brave attempt to capture the spirit of their heyday with a live performance of *Quadrophonia* in Hyde Park, but the elements, and a general air of Euro 96 anti-climax, were against them.

Once again, the category of "best of the 1980s" provided some of the most original and curious moments of the year: Nitin Sawhney's *Displacing the Priest* mixed Asian spirituality with jazz and funk; the Afro-Celt Sound System's *Volume One Soundz*; *Magic* sounded exactly as you would think, and made as surprisingly smooth marriage.

Finally, to a category of album which has the past been rightly derided as uninteresting and exploitative: the movie soundtrack. This year there were two essential *aide-memoires* to two very fine movies: *Dead Man Walking* featured songs by Bruce Springsteen, Johnny Cash, Suzanne Vega and others which had been inspired by Tim Robbins' film, as well as the actual soundtrack which twinned Nusrat Fateh Ali Khan with Eddie Vedder to marvellous effect.

Then there was *Transpositing*: can we ever again listen to Iggy Pop's *Lust for Life* without thinking of the thrilling, adrenalin-charged opening of Danny Boyle's brilliantly realised film? A perfect blend of sound and image, at once life-enhancing and terrifying. There are worse ways to remember 1986.

Peter Aspdren

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INTERNATIONAL ARTS GUIDE

What's on in the principal cities

AMSTERDAM

CONCERT
Concertgebouw Tel: 11-20-6718345
● Tokyo Chamber Soloists: with violinist Yoko Kubo, cellist Ko Waskai and pianist Shuhei Iwasaki perform works by Schumann, Beethoven, Kodaly and Schubert; 1.15pm; Jan 2
● De Nieuwe Kerk Tel: 31-20-6268168
● Gustav Leonhardt, Bernard Winsemius and Nico van der Meel: the organ-players and tenor perform works by Hollander, Huggens and J.S. Bach; 3pm; Jan 1

DANCE
Het Muziektheater Tel: 31-20-5518117
● Nutcracker and Mouskings: a special New Year's day matinee performance by the Dutch National Ballet of this choreography by Tser van Schayk and Wayne Eagling to music by Tchaikovsky. With special guest soloists Yelena Pankova and Carlos Acosta; 2pm; Jan 1

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Jan Steen, Painter and Storyteller: major retrospective exhibition focusing on the work of Jan Steen (1626-1679). The exhibition, previously shown at the National Gallery of Art in Washington, features nearly 50 paintings from international public and private collections and examines the range of subjects and styles in this Dutch artist's body of work; to Jan 12

BATH
Victoria Art Gallery Tel: 44-1225-477000
● Picasso: Histoire Naturelle: touring exhibition presenting a set of 31 prints by Picasso from the collection of the Hayward Gallery. In them, the artist depicts animals, birds, insects and other creatures. Begun in 1936 for the picture dealer and publisher Ambroise Vollard, Picasso created these images to accompany the classic 18th-century text "Histoire Naturelle" by the French naturalist Georges-Louis Leclerc de Buffon. The works combine a wide variety of techniques, including lithography, aquatint, etching and drypoint; to Jan 4

CONCERT
Concertgebouw Tel: 49-30-203090
● Berliner Sinfonie-Orchester: with conductor Michael Scharnowski and violinist Joana Kamenarska perform works by Beethoven, Liszt, Bartok, Sverndsen and others; 7pm; Dec 31

EXHIBITION
Rundfunk-Sinfonieorchester Berlin: with conductor Jeffrey Tate, soprano Hillevi Martinpelto, alto Jagmar Peckova, tenor Stefan Vargha, bass Franz Hawlata and the Rundfunkchor Berlin perform Beethoven's Symphony No. 9 in D minor, Op. 125; 8pm; Dec 30, 31 (4pm)

EXHIBITION
Hilfsmusik Tel: 9-30-2614383
● Berliner Philharmonisches Orchester: with conductor Claudio Abbado, baritone Bryn Terfel and the Swedish Radio Choir perform works by Brahms and Schubert; 8pm; Dec 30, 31 (3.15pm)

EXHIBITION
Hilfsmusik Tel: 9-30-2034438
● Symphony No. 9 in D minor, Op. 125: by Beethoven. Conducted by Daniel Barenboim, performed by the Staatskapelle Berlin and the Staatsoperchor. Soloists include Jaroslava Hohn, Katharina Jammerhofer, Endrik Wotrich and Wangchul Youn; 8pm; Dec 30

EXHIBITION
Deutsche Oper Berlin Tel: 9-30-3438401
● Ballet-Gala: soloists of the Ballet der Deutsche Oper Berlin and several guest dancers from other companies celebrate the end of the year with a ballet gala featuring choreographies by George Balanchine, Ray Barra, John Cranko, Nacho Duato, William Forsythe, Jiri Kylian, Joles Musin, John Neumeier, Iannis Petipa, Dietmar Seyffert, Tephon Thoss and Mats Ek; 7pm; Dec 31

EXHIBITION
Die Nationalgalerie Tel: 3-30-209050
● Manet bis Van Gogh: Hugo von Schudt und der Kampf um die Moderne: exhibition on the occasion of the 100th anniversary of the appointment of Hugo von Schudt as director of the Alte Nationalgalerie. Main theme of the exhibition is his leading role in the introduction of "modern" French impressionist art in Germany. The display includes works of French 19th-century artists and German museums and collectors; to Jan 6

EXHIBITION
Deutsche Oper Berlin Tel: 9-30-3438401
● Die Zauberflöte: by Mozart. Conducted by Stefan Soltesz, performed by the Deutsche Oper Berlin. Soloists include Amanda Aguirre, Carol Malone and



Yuri Temirkanov conducts in Rome

Clemens Bleber; 7pm; Jan 1

BIRMINGHAM, US
CONCERT
Symphony Hall Tel: 44-121-2002000
● Glenn Miller Orchestra: with conductor John Watson and special guests Tony Mansell, Jan Messeder, The Moonlight Serenades and the Uptown Hall Gang perform Glenn Miller favourites in their original arrangements, including Chattanooga Choo Choo, Pennsylvania 6-8000, St. Louis Blues March, Moonlight Serenade, In the Mood, and other works; 7.30pm; Dec 30

BOSTON
EXHIBITION
Museum of Fine Arts Tel: 1-617-267-9300
● Alfred Steiglitz and Early Modern Photography: an exhibition of 112 photographs and photographic prints, plus copies of Steiglitz's magazine "Camera Work", letters in his hand and paintings by artists he exhibited. The display provides an overview of Alfred Steiglitz's 50-year career as photographer, editor and gallery owner. The exhibition also features works of photographers who Steiglitz published and/or exhibited during his lifetime, including Ansel Adams, James Craig Annan, Alvin Langdon Coburn, Frederick H. Evans, Paul Bury Haviland, Gertrude Kasebier, Heinrich Kuehn, Eliot Porter, George H. Seeley, Edward Steichen, Paul Strand, Karl Struss and Clarence H. White; to Dec 29

BRUSSELS
EXHIBITION
Palais des Beaux-Arts Tel: 32-2-5078466
● Karl Blossfeldt: exhibition of works by the German photographer Karl Blossfeldt (1865-1932), who is specially known for his detailed black-and-white photographs of flowers and plants. The display features about 200 original photographs; to Jan 5

EXHIBITION
Théâtre Royal de la Monnaie Tel: 32-2-2291200
● Die Zauberflöte: by Mozart. Conducted by David Robertson, performed by La Monnaie. Soloists include Ernst Theo Richter and Judith Vindevogel; 7pm; Dec 29, 31 (7pm)

COLOGNE
EXHIBITION
Opernhaus Tel: 49-221-2218240
● Der Nussknacker und der Mausekönig: a choreography by Jochen Ulrich to music by Tchaikovsky, performed by the Tanz-Forum Köln; 4pm; Jan 1, 4 (7.30pm)

THEATRE
Schauspielhaus & West-End-Theater Tel: 49-221-2218240
● A Midsummer Night's Dream: by Shakespeare (in German). Directed by Torsten Fischer, performed by the Theater Köln (premieres). The cast includes Theres Dürrenberger, Frank Voss, Etti Gerdien and Markus Gertken; 7.30pm; Jan 4

COPENHAGEN
CONCERT
Det Kongelige Teater Tel: 45-33 69 69
● A Folk Tale: a choreography by August Boumboville to music by Gade/Hartmann, performed by the Royal Danish Ballet; 8pm; Dec 28, 29

DUBLIN
CONCERT
National Concert Hall Tel: 353-1-6711888
● National Symphony Orchestra of Ireland: with conductor Albert Rosen, soprano Mary Callan Clarke and tenor Dennis O'Neill perform works by Mozart, Puccini, Bizet and others; 8.30pm; Jan 1

EXHIBITION
National Gallery of Ireland Tel: 353-1-6815133
● Turner Watercolours: the annual display of 35 watercolours, 31 of which were bequeathed to the gallery by Henry Vaughan in 1800, represent Turner's work from early topographical views to images of Venice and Switzerland; from Jan 1 to Jan 31

EDINBURGH
EXHIBITION
National Gallery of Scotland Tel: 44-131-5558921
● Turner Watercolours: the annual display of 35 Turner watercolours, bequeathed in 1800 by the Victorian art collector Henry Vaughan. These works are only on show during January, when the light is at its weakest and least destructive as exposure to continual light would result in their fading. The Vaughan bequest includes examples from every period of Turner's development and the display has been expanded to include other watercolours by Turner, acquired more recently by the Gallery; from Jan 1 to Jan 31

JAZZ & BLUES
The Queen's Hall Tel: 44-131-6683456
● Carol Kidd with Suzanne Bonner & Fiona Duncan: performance by the three Scottish jazz singers; 7.30pm; Dec 31

FRANKFURT
CONCERT
Jahnhunderthalle Hoechst Tel: 49-69-3601240
● Gold und Silber - Eine nostalgische Musikreise in die 20er und 30er Jahre: the Staatsphilharmonie Rheinland-Pfalz perform highlights from operas and musicals from the 1920s and 1930s, including works by Lincke, Künneke, Kollo and others. Soloists include narrator/vocalist Carry Sass, soprano Franziska Stanner, tenor Johannes Kalpers, pianist Alexander Muchin and bassoonist Ulrich Freund; 8.30pm; Dec 31

HANOVER
EXHIBITION
Opernhaus Tel: 49-511-1886161
● Macbeth: by Verdi. Conducted by Hans Ulanek, performed by the Hanover State Opera (premieres). Soloists include Andreas Förster, Andreas Mocco and Karen Bureau; 7.30pm; Dec 30

HONG KONG
CONCERT
Concert Hall/HKCC Tel: 852-27342809
● Hong Kong Philharmonic Orchestra: New Year's Eve concert, with conductor Samuel Wong, harpist Yolanda Kondonassie and flautist Andrew Nicholson. The programme includes works by Rossini, Mozart, Saint-Saëns and J. Strauss; 8pm; Dec 31

LONDON
CONCERT
Barbican Hall Tel: 44-171-6384141
● London Symphony Orchestra: with conductor John Georgiadis perform works by Ziehrer, Johann Strauss, E. Strauss and Josef Strauss; 7.30pm; Dec 31; Jan 1, 2 (7.30pm)

LONDON
CONCERT
Barbican Hall Tel: 44-171-6384141
● The King's Consort: with conductor/organ-player/harpichordist Robert King, sopranos Deborah York and Tessa Bonner, countertenors James Bowman and Robin Blaze, tenors Charles Daniels and Mark Milhofer, and basses Peter Harvey and Charles Pott perform works by J.S. Bach, Krebs, Kuhnau and Schelle; 7.30pm; Dec 31

ROME
CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra dell'Accademia di Santa Cecilia: with conductor Yuri Temirkanov and violinist Vladimir Spivakov perform works by Tchaikovsky; 7pm; Jan 4, 5 (5.30pm), 6 (9pm), 7 (7.30pm)

STOCKHOLM
EXHIBITION
Nationalmuseum Tel: 46-8-6884250

taste and reveal the extraordinary quality of his collection; to Jan 5
JAZZ & BLUES
100 Club Tel: 44-171-6360933
● New Year's Eve Party: featuring Laurie Chescoe's Goodtime Jazz and Ray Foxley's All Stars with Alan Gresty, Dick Charlesworth and George Tidman; 7.30pm; Dec 31

OPERA
Royal Opera House - Covent Garden Tel: 44-171-2120234
● Chérubin: by Massenet. Conducted by John Eliot Gardiner, performed by the Royal Opera. Soloists include Elizabeth Futral, Alison Hagley and Nicole Tibbels; 7.30pm; Jan 1, 4 (8pm)

THEATRE
Lyttelton Theatre Tel: 44-171-9210631
● Elsinore - Variations on Shakespeare's Hamlet: a solo show based on Shakespeare's "Hamlet", created, directed and performed by Robert Lepage. The music is composed and performed by Robert Cauc; 7.30pm, Jan 8, 11 also 2.15pm; from Jan 4 to Jan 11

NEW YORK
CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● New Year's Eve Gala: featuring the New York Philharmonic with conductor Zubin Mehta; 8pm; Dec 31

EXHIBITION
Solomon R. Guggenheim Museum Tel: 1-212-423-3600
● Elsworth Kelly: this exhibition is the first complete survey of the artist's painting, sculpture, works on paper, and photographs. Featuring more than 250 objects and spanning five decades, the display offers insight on Kelly's contribution to the development of American abstraction. Works throughout the artist's career are highlighted, including large-scale paintings and sculpture created in the past two decades, in addition to five paintings and three sculptures completed specially for the exhibition; to Jan 15

WHITNEY MUSEUM OF AMERICAN ART
Tel: 1-212-570-3600
● Views from Abroad: European Perspectives on American Art II: the second of three comparative exhibitions analysing the artistic relationship between the US and Europe during the 20th century. For the series, three directors of European museums create exhibitions combining the Whitney Permanent Collection with their own, to be presented at both institutions. This exhibition is curated by Jean-Christophe Ammann of the Museum für Moderne Kunst, Frankfurt and features primarily post-war drawings, paintings and sculpture, including Vija Celmins's "Heater" (1984), Rosemarie Trockel's "Daddy's Striped Room" (1990), and Robert Gober's "Untitled (Hairy Shoe)" (1993); to Jan 5

MUSICAL
Richard Rogers Theater Tel: 1-212-307-4100
● Chicago: by Kander and Ebb. Directed by Walter Bobbie. The cast includes Bebe Neuwirth, Joel Grey, Marcia Lewis and James Naughton; Tue - Sat 8pm, Sun 3pm, Wed, Sat also 2pm; to Feb 9 (Not Mon)

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Tosca: by Puccini. Conducted by Christian Badae, performed by the Metropolitan Opera. Soloists include Maria Guleghina, Sergei Larin and James Morris; 8pm; Jan 1, 4 (1.30pm)

NICE
DANCE
Opéra de Nice Tel: 33-92 17 40 00
● The Nutcracker: a choreography by Ronald Hynd after Marius Petipa to music by Tchaikovsky, performed by the Ballet de Nice. Soloists include Elena Kizileva and Igor Yebira; 8pm; Dec 31; Jan 4, 5 (4pm)

PARIS
CONCERT
Cité de la Musique Tel: 33-1 44 84 45 00
● Orchestre Français des Jeunes: with conductor Marek Janowski perform works by Beethoven, Prokofiev and R. Strauss; 8pm; Jan 2

EXHIBITION
Musée d'Orsay Tel: 33-1 40 49 48 14
● De l'impressionnisme à l'Art Nouveau: this exhibition features a selection of works acquired by the museum in the 1990s. Ranging from Impressionism to Art Nouveau, the display includes works by such artists as Dauterive, Bonnard, Carpeaux, Maillol, Burne-Jones, Whistler, van de Velde, van Gogh, Vallgren, Kupka and others; to Jan 5

WASHINGTON
EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Adolph Menzel (1815-1905): Between Romanticism and Impressionism: this retrospective exhibition comprises about 130 paintings, drawings, pastels and watercolours by Adolph Menzel, one of the leading German artists in the second half of the 19th century. Most of the works are from the Staatliche Museen zu Berlin, Preussischer Kulturbesitz. The works on display span a wide range of contemporary and historical subject matter. In addition to many of Menzel's acknowledged masterpieces, among them "Frederick the Great's Flute Concert at Sanssouci" (1850-1852), "An Afternoon in the Tuileries Garden" (1857), and "King Wilhelm's Departure to the Army on July 31 1870" (1871), the exhibition also includes sketches and drawings depicting bourgeois life in Berlin; to Jan 5

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STOCKHOLM
EXHIBITION
Nationalmuseum Tel: 46-8-6884250

STUTTGART
OPERA
Staatstheater Stuttgart Tel: 49-711-20320
● Barbe-bleue: by Offenbach. Conducted by Ralf Weikert, performed by the Oper Stuttgart. Soloists include Elisabeth Canis, Stella Kleindienst, Catriona Smith, Jörn Wising and Helmut Berger-Tuna; 8pm; Dec 31

SYDNEY
CONCERT
Concert Hall Tel: 61-2-250-7111
● New Year's Eve Concert: featuring works by members of the Strauss family, Lehar, Oscar Straus and Offenbach. The interval is timed so as to coincide with the fireworks display over Sydney Harbour; 8pm; Dec 31

OPERA
Drama Theatre, Opera Theatre, Playhouse Tel: 61-2-250-7127
● La Clemenza di Tito: by Mozart. Conducted by Christopher Hogwood, performed by the Australian Opera. Soloists include Rosamund Hill, Fiona James, John Mark Ainsley, Ingrid Silveus and Kathryn McCusker; 7.30pm; Jan 2, 4

TOKYO
CONCERT
Suntory Hall Tel: 81-3-35849999
● New Japan Philharmonic: with conductor Mstislav Rostropovich, soprano Noriko Sakai, alto Kyoko Akita, tenor Kei Fukui, baritone Michio Tazawa and the Shin-Yu-Kai Chorus perform works by Beethoven; 7pm; Dec 29

TORONTO
CONCERT
SkyDome Tel: 1-416-9708000
● The Three Tenors: performance by José Carreras, Plácido Domingo and Luciano Pavarotti as part of The Three Tenors world tour; 8pm; Jan 4

VERONA
OPERA
Teatro Filarmonico Tel: 39-45-580109/800 2275
● Die Fledermaus: by J. Strauss. Conducted by György Gyorvanyi Radt, performed by the Orchestra, Coro e Corpo di Ballo dell'Arena di Verona. Soloists include Armando Arcaudi, Luciano Serra, Roberto Accorsi, Tibor Szolnoky and Gemma Bettagnoli; 8.30pm; Dec 31; Jan 2, 3, 4, 5 (3.30pm)

VIENNA
CONCERT
Musikverein Tel: 43-1-5058681
● Wiener Neujahrskonzert 1997: the traditional annual New Year's concert, performed by the Wiener Philharmoniker with conductor Claudio Muter; 11am; Jan 1

EXHIBITION
Palais Liechtenstein Tel: 43-1-3176900
● Lucio Fontana - Retrospektive: this retrospective exhibition of the work of this Argentinian-born Italian sculptor focuses on Fontana's famous cuts ("tagli") and perforations ("buchi") from his mature Italian period as well as on numerous figurative and abstract sculptures in bronze and ceramics; to Jan 6

OPERA
Wiener Staatsoper Tel: 43-1-51442960
● Die Fledermaus: by J. Strauss. Conducted by Leopold Hager, performed by the Wiener Staatsoper. Soloists include Dussmann, Kirchschlager, Raimondi and Zednik; 7pm; Jan 1
● Wiener Volksoper Tel: 43-1-51442960
● Die Fledermaus: by J. Strauss. Conducted by Asher Fisch, performed by the Wiener Volksoper. Soloists include Dallapozza, Slobbert, Reinthaller and Kainz; 7pm; Dec 31 (also 1.30pm); Jan 1

WASHINGTON
EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● Adolph Menzel (1815-1905): Between Romanticism and Impressionism: this retrospective exhibition comprises about 130 paintings, drawings, pastels and watercolours by Adolph Menzel, one of the leading German artists in the second half of the 19th century. Most of the works are from the Staatliche Museen zu Berlin, Preussischer Kulturbesitz. The works on display span a wide range of contemporary and historical subject matter. In addition to many of Menzel's acknowledged masterpieces, among them "Frederick the Great's Flute Concert at Sanssouci" (1850-1852), "An Afternoon in the Tuileries Garden" (1857), and "King Wilhelm's Departure to the Army on July 31 1870" (1871), the exhibition also includes sketches and drawings depicting bourgeois life in Berlin; to Jan 5

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STOCKHOLM
EXHIBITION
Nationalmuseum Tel: 46-8-6884250

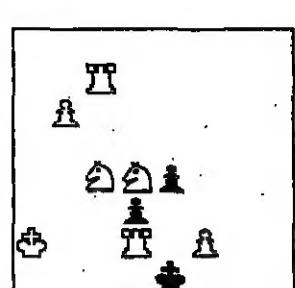
CHESS

Hastings starts today, continuing a tradition begun in 1885 and renewed annually since 1919. The first Hastings invited an unknown 21-year-old American, Harry Pillsbury. Chain-smoking black cheroots, Pillsbury won first prize ahead of the world champion and so launched Hastings' reputation as a proving ground for young hopes.

This year's favourite is Michael Adams, the UK No 2 and world No 10. An unknown Armenian will attempt the Pillsbury role, but more significant is Hastings' first Chinese player, the former world woman champion Xie Jun. Hastings also has a tradition of inviting Russians, starting in 1888 with Mikhail Tchigorin, who played two world title matches and became the icon of Soviet chess.

Tchigorin tried whisky at Hastings for the first time, and dubbed it "too weak". I doubt this since playing over his penultimate round game which cost him first prize and which gives more than any other grandmaster game, the impression that the loser was in an alcoholic haze (Tchigorin v Janowski). 1 e4 e5 2 Nc3 Nf6 3 d3 Tchigorin was an expert in

the complex line 3 f4 d5 4 fxe5 Nxe4 and only now 5 d3 inviting Qh4+, so his passive choice suggests he was mixing moves as well as drinks. d5 4 exd5 Nxd5 3 Qe2 Nc6 6 Bd2 Be7 7 0-0-0 0-0 8 Qd3? Be6 9 Nge2 f5 10 Qd3? A classic illustration of the advice for novices to avoid too many queen moves in the opening. Qd6 11 Nxd5 Qxd6 12 Nc3 Qd5 13 as Baad1 14 Nb1 Bxh2+ 15 Kxh2 Qa2+ 16 Kc1 Nd4 17 Resigns.



No 1160
White mates in three moves, against any defence (by M Dischler). Black's king is surrounded by rooks and knights, yet the mate is a surprise.

Solution Page 11
Leonard Barden

BRIDGE

When your partnership is on song, it brings a warm glow to your heart. Facing such a pair is likely to induce a somewhat chillier sensation.

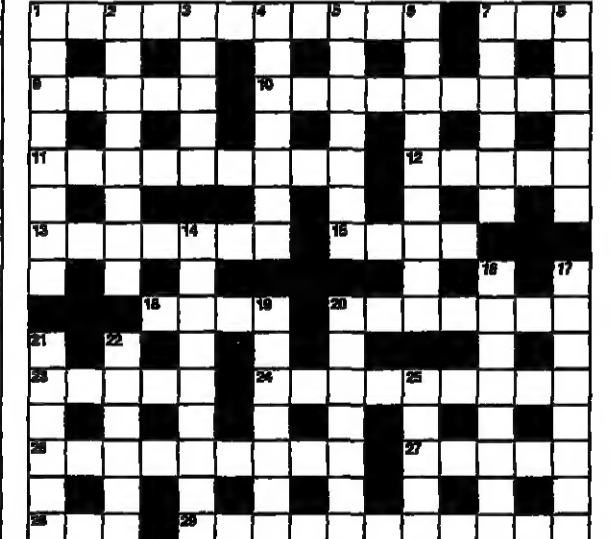
N
♠ 9 5 3
♥ J 8 7 5
♦ K Q J
♣ 9 6 5
W E
♠ 8 4 2 ♠ 10 7 6
♥ 9 2 ♥ Q 4
♦ 7 5 4 2 ♦ A 9 6 3
♠ A Q 10 ♠ J 7 3 2

South opened 1H, his partner bid 2H, and he bid 4H. West led 8♣. Declarer won with Q♣, cashed ♠AK and watched ♠Q fall. He then led 8♣ to K♣, won by East's A♣. Only a very unlucky lie of the clubs and a perfect switch could defeat South. Also, his play of Q♣ at trick one might cause East to place his partner with K♣

Paul Mendelson

CROSSWORD

No. 9,260 Set by DINMUTZ
A prize of a classic Pelikan Souvenir 800 fountain pen for the first correct solution opened and five runner-up prizes of £50 Pelikan vouchers. Solutions by Wednesday January 3. Crossword 9,260 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 8HL. Solution on Saturday January 11.



Name: _____
Address: _____

ACROSS
1 How we are influenced by the stars? (8)
7 Doctor's bag (3)
9 For a rope, look round a vessel (6)
10 Peak force employed to achieve a look at card-table (6)
11 Turner responsible for casting? (9)
12 Range of troubles following Henry (5)
13 Expert players on strike (4,3)
15 Small sandbanks in the river (4)
16 Garlands from exotic isle (6)
20 Fall to pick up motorway? Cut through! (7)
23 Place of tallest insect (5)
24 Spy swirl can be worrying (9)
26 At which point our nephew went astray? (9)
27 These days, pet in trouble needs expert (5)
28 Bar staff (3)
29 Action in open court is disturbed (11)
DOWN
1 State in which one has enough money? (8)
Solution 9,259

2 Giving us Babel novel, difficult to understand (8)
3 Son of Cain, individual put up to church leaders (5)
4 Finish of Petersburg, for example (7)
5 Scruffy punk met, wandering (9)
6 Headquarters of half Quaker leaders (9)
7 One owner's racehorses, fast? (6)
8 Crumple where batman stands... (6)
14 ...stay in too long and see bowling drop off (9)
16 Double portion of processed Barle, in case of vitamin deficiency (8)
17 Resort said to cheer up? (8)
18 One more skilled than an amateur shows unusual promise (4,3)
20 Mangle turned with energy brings confusion (7)
21 Scariest Pimpernel, say - fellow let down (6)
22 End of Thomas's belief in a long piece of writing (6)
25 Enthusiasts turn up, universally in state of chaos (5)

WINNERS 9,251: Tanya Campbell, Perth; Mrs A.L. Costello, Wrexham; Edward Friend, Sale; Stephen Staines, Middlesbrough; C.N. Hill, Ferndown, Dorset; A.B.S. Kidd, Dunsferryline

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James Morgan

The myth of the European fattened cow

How a population was left to flounder while the leaders chased monetary union

The revolutions in eastern Europe have added to the sense that the 1990s can be the decade of Europe. It is always nice to find long-forgotten forecasts lying at the bottom of an inbox.

The first edition of *World Financial Markets* in 1990 from J.P. Morgan makes for interesting reading today. Not because of the cheap laughs gained by hindsight (although these are always welcome), but because we can see how seven expected fat years became seven lean.

The analysis, wisely, was not wholly confident in its assertion, for the title, "The decade of Europe" needed the question mark. But the optimism of seven

years ago made the question seem quite reasonable. An economic recovery was under way, unemployment was falling. The only trouble was that Germany might be growing too strongly. But "the business community has gained confidence in the policy environment".

The policy environment in the European Union soon ceased to inspire much confidence. It became dominated by the drive to monetary union which was largely, but not wholly, irrelevant to solving western Europe's underlying problems. These became more obvious as the decade wore on.

In 1990 it was believed that an economic recovery could do the trick. But recovery achieved

nothing because the opportunity to reform national finances was missed. That meant the clean-up had to be left to the last minute and became inextricably part of the Maastricht process. The peoples of Europe were therefore left believing that fiscal austerity was the consequence of an obscure agreement reached in a small Dutch town in 1991.

And so this is not the decade of Europe. And here is a question which shows why. Which nation's newspaper wrote this? "Although there is far-reaching agreement in economic and political circles on the matter, a large proportion of the population is against the introduction of a single European currency. While among top decision-

makers, politicians, special interest groups, high officials, economic and media representatives, 78 per cent are in favour, among the population as a whole 46 per cent are against and 41 in favour."

As it happens, that came from *Die Presse* in Vienna. But the statement could have appeared in half-a-dozen nations' dailies. Those in charge have made a mess of explaining why monetary union is a good thing.

The Bundesbank has published an unconvincing little pamphlet called "Who, When, What, How, Why". In answering the last question it says the euro is needed to make the single market work. It concludes: "A failure of Emu would throw Europe

back both politically and economically."

And that is about it. European Monetary Union has to succeed because the price of failure has become too great. It matters more than unemployment, more than economic inflexibility because decision-makers and top people have spent the 1990s thinking about nothing else. They rightly tackled fiscal incontinence, albeit belatedly, but overlooked the problems of the real economy.

The virtues ascribed to Europe in 1990 turned out to be those enjoyed in depth by East Asia. But in 1990 nobody talked about the decade of Asia. It was believed that central Europe would become a tiger economy,

fed by its intellectual endowment and vast inflows of capital.

The rest of the world expected to be forgotten as the western nations prepared a giant fatted calf for their prodigal sons. Instead the consequences of German reunification in particular helped undermine the rosy European scenario foreseen in 1990.

■ The J.P. Morgan circular turned up as part of a clear-out inspired by my temporary departure from my usual job, and from this space, in the new year. I should be back again, God and editors willing, in April.

■ James Morgan is BBC World Service economics correspondent.

Peter Aspden Ode to a joyous match



Now here is a seasonal party game for you all: go round the room and ask everyone what was the single most inspiring moment of the year: the instant when it really did feel like humanity was capable of shedding its meanness and joining the gods up on the mountains; when being alive meant more than opening bills and emptying the dishwasher.

Least things get too intimate, you have to disqualify moments which are highly personal. It would have to be a shared experience, an accessible pleasure. Many will choose a work of art: the quiet dignity of a monastery painting observed in the Tuscan countryside; the visceral thrill of an operatic diva fearlessly reaching for an obstinate note.

Not for the first time, I find myself rummaging in a different field for my things of transcendence. The sports field, to be precise. For this was the year that made me believe that sport, rather than art, is actually the most noble, the most dignified, the most precious of human recreations.

I have spent large parts of the year watching the greatest actors, singers, dancers in the world perform with searing commitment and soaring technique. Plays which have brought tears to eyes; evenings of music that wiped out the grim banalities of a joyless day and sent me home on a bellow of good humour.

But, absurdly, I find myself thinking of a young man kicking a football and another man diving gratefully to frustrate him.

So I turn to sport: to instincts which we would rather did not exist

Their names - Gareth Southgate and Andreas Köpke - barely matter. Both have become popular heroes in their own land, one for confronting adversity and the other for sealing triumph. I recall the extraordinary scenes of a summer night at Wembley and say, nothing can match this.

Let me start with the obvious point: the overwhelming advantage of a sports event is that no one knows how it will finish, which is not the case with most artistic events. Indeed, the great works in the canon are so familiar that they are robbed of their freshness and tension. We end up watching *Hamlet* and admiring a particularly vivacious Ophelia, an uncommonly amusing Polonius, and caring not a hoot about the young Dane's warblings.

I have seen *Hamlet*, and *The Marriage of Figaro*, and a few other works of genius (for that is what they are) maybe a dozen times each; but, contrary to popular belief, I am not astounded by startling fresh perspectives each time I see them. I think I have got the point by now. The "Mona Lisa's" smile is not that enigmatic. Is there not something a little deadening, morbid even, in our ritual enslavement to these great works?

We can, of course, choose the shock of the new. But so much of today's art is still paying off its debt to its antecedents - whether by imitation, opposition or parody - that the possibility of being genuinely moved by any of it seems quaintly old-fashioned.

So I turn to sport: to its peerless sense of theatre; its robust appeal to tribal instincts which we would rather did not exist, but must find peaceful expression somewhere; its graceful vigour (like dancing). But someone is always trying to stop you; its dramas unravelling before you all over the field, small tales of courage, hope and downfall.

And then the real beauty of it all: that none of it actually matters. It is not, as some have said, a perfect metaphor for life (some good bits, some bad bits, just hope to stay fit and take each match/day as it comes). Life is more complicated than that, and art caters fulsomely for our need to reflect on the human condition. But that does not make it any nobler. Goodness knows what Nazi officers reflected upon as they listened to Schubert, but I can hazard a guess.

Sport pretends to be no more than it is. A ritualisation of struggle, a celebration of strife. A missed penalty, tears, cheers, handshakes and hugs. A manager holding a player's cheeks in his hands and telling him to hold his head up to 50,000 enraptured spectators. That was my moment of the year. Someone will probably write something very good about it one day, but it won't be the same as being there.

Private View

Historian who looks into the future

Christian Tyler met Jonathan Spence, a world expert on Chinese culture

You wouldn't ask a historian of the Tudors to comment on the problems of today's royal family. But, if your interest was modern China, you would not hesitate to consult Jonathan Spence, an expert on the Qing dynasty (1644-1911).

Spence gets asked about modern China a great deal. At a time when Hong Kong is about to be returned to its owners after 155 years, when the mainland is in the throes of a turbulent transition, and when the US cannot decide on its policy, his long-range perspective is especially valued.

A lanky Englishman with a short grey beard, Spence is not only a world authority on his subject; he has been described as one of the best writers of history alive. He comes from the same innovative Cambridge school that produced Simon Schama, David Cannadine and others. Like them, he went to teach in the US. He has been at Yale, where he is Sterling professor of history, for nearly 30 years.

"I travel a lot and I talk a lot," he said during a recent visit to his family in London. "I often point out that I'm interested in history, so why should I be asked about the future? With China, perhaps, it's a lack of knowledge, the strangeness of the names and language. But it says something about the global feeling of China's oldness and size."

And about our readiness to follow the Chinese way of thinking of themselves?

"Yes, exactly. So I sometimes try and talk myself out of a job. I say: 'Look, my research is in the 17th and 18th century.' Having denied the relevance, Spence immediately went on to cite things that could be useful to current analysis, such as China's early problems with population, the environment and trade with the West. "One can look at the deeper structures, as some historians like to call them."

Few students of, say, modern France would examine the 14th

century for clues. "Yet we don't feel a sense of absurdity in saying the founding of the Ming Dynasty in China, in 1368, has some real resonance with the founding of the People's Republic in 1949. You can see that the 1936 emperor and the 1949 communist leader faced quite similar problems in re-unifying the whole colossal civilian apparatus."

People like Prof Spence are usually called Sinologists. He does not like the term because to him it implies an interest in classical culture and language only, whereas he uses them to help him "look at the present and the past together".

The Chinese are fond of relating their present to some semi-mythic past. Spence said history was being invoked strenuously at the moment in order to reinforce an aggressive nationalism and to soothe uneasiness about how the imperial style of the late Chairman Mao should be interpreted. At the same time, archaeology was dispelling some of the treasured historical myths.

I asked him what advice he would give the newly re-elected President Clinton.

"At the moment there is no US policy, it seems to me. Some people think that's not a bad thing. Most definitive policies have been rather unsuccessful, and maybe the best stance is a kind of wary co-operation. The hectoring about moral values keeps backfiring, I think."

Spence sympathises with human rights activists, but thinks State Department pressure on behalf of individual dissidents can be counter-productive. The fact that we now knew the dissidents' names was a sign that China was "much more in the world" than even 15 years ago.

Should we be afraid of China? "Well, the word I used was 'wary'. And I think we should be extremely wary. It's a great potential source of money for the West and a highly complex source of very cheap consumer imports, as the Americans are discovering. There might be a



Jonathan Spence: history is being invoked strenuously at the moment to reinforce an aggressive nationalism. *Chris Brown*

military threat over territorial waters, but I think the land frontiers are fairly stable. Tibet was a possible flashpoint. The north-west province of Xinjiang is a less likely one because of the large military presence there.

Are we witnessing the fall of a dynasty or just a change of emperor?

"I don't think we're seeing a change of dynasty, really, but an array of problems which we've seen before when strong central leadership becomes weak and at the same time authoritarian." He cited the violent punishments, random executions of criminals, gang warfare, resurgence of secret societies, prostitution, corruption and peasant tax protests. One of his latest books, *God's Chinese Son*, is a reconstruction of the Taiping rebellion of the 1850s and '60s in which 20m people died. This autumn two large peasant revolts against levies

were reported from southern Jiangxi province and Qidong county in Hunan province. Could there be another uprising?

"It would be difficult with a very mobile military, aircraft and helicopters."

The key things that have changed compared with the 1940s are: no aggressive presence of Japan and the rapid movement of money and electronic information. It surely won't be very long before Chinese businessmen inland can put their money into the London Stock Exchange or Wall Street.

Spence's career was "supremely accidental." Trained in modern languages and European history, he won an exchange fellowship in Yale from Clare College, Cambridge. He picked China because it was new to him and Yale is one of the best places in the world to study it. "I plunged in, never thinking I

would go on with it. I had terrific teachers. After working in translation for a bit, some of them suggested I start learning Chinese at the basic level. So I began to do that - and I was really hooked."

"I was struck by the fact that China's cultural links to the past are much sharper than modern Italy to the Roman Empire or modern Greece to ancient Greek civilisation. It does have the link that its cultural nationalists claim. I mean, you can read Confucius. You really can."

His wife also reads Confucius; indeed, she lectures on his work at Yale, like her husband. Annapolis China is a specialist in the Chinese philosophers of the 8th and 4th centuries BC, relating them to their near contemporaries Plato and the Buddha. She is co-author of Spence's latest book, *The Chinese Century*, a startling photographic history

containing pictures not seen before in the West. Annapolis was born in Taiwan to a family from mainland Manchuria (her first name is the classical name of the city of Taiwan), but has lived most of her life in the US. Like most of the diaspora, her husband said, she still feels very Chinese.

Spence describes his own relations with official China as "friendly to neutral".

Do they expect you to behave like an "old friend," as they call it?

"Some scholars play that role, and seem to enjoy it. I don't claim to be a special friend of China. I mean, I love Chinese culture and if they want to look at my books that's fine with me." He is not the kind of academic who goes to international conferences.

Parts of his work have been judged hostile, and banned. "I don't go into the pulpit against China. One's always told there is a black list, but as far as I know it is used for those who criticise China, in Chinese, from outside. These are the people who get denied visas or imprisoned when they get there."

"On the whole I think westerners are not very important to the Chinese superstructure. That would be their way of keeping the west in perspective."

I asked him if his own love affair with China was stable or volatile.

"Well, I suppose you could say it is volatile. One gets sort of tugged, overwhelmed by the economic problems and the violence and trying to balance that against the cultural sophistication, subtlety and extraordinary richness, the amazing generosity of individual people and the strength of families."

There is something truly wonderful about individual Chinese that one knows well. You say: "How can there be violence like this?" Then you read about some nightmarish murder case in England or Belgium or whatever. Every country has its nightmares."

If you had lived in China for long would you have fallen out of love with it?

"It's quite possible. I've thought about that quite a lot. But my intellectual fascination with China is unending. I think it's an absolutely extraordinary culture and that hasn't ever left me. The study of China has never been so fruitful, and there are so many good people in the field."

Spence is now going back to the 18th century "with a kind of sigh of relief."

Will it be cosier back there? "It was also a violent age, though the classical language is perhaps more beautiful. 'Cosy' is rather an interesting word. I suppose retreating to the past is sometimes cosy."

Or at least hygienically distanced, without the pressures of the present?

"The strange thing is I'll probably still be asked just the same sorts of questions about the future."

Truth of the Matter

Mature whirlwind packed with attitude

Nigel Spivey enjoyed lunch with Bernice Weston, Brooklyn-born creator of Age Power, the over-fifties lobby

Age Concern? Snage Concern, she said. "Don't misunderstand me; the charities do great work, and I'm full of regard for it. But look at the image they make of us: indigent and always the victims. The hell we are. We control 80 per cent of disposable wealth in this country. That's £180bn. And what gets marketed to us? Nothing but incontinence pads, hearing aids and Zimmer frames. Oh yeah, and Saga holidays - Send A Granny Away; or Sexual Advances Gratefully Accepted. Bah!"

Brooklyn-born Bernice Weston is holding forth about the treatment of the over-fifties. The 57-year-old founder of Weight Watchers now carries the banner of Age Power, an organisation launched to mobilise the senior citizens of Britain. Sorry: neither "senior" nor "elderly" are in the Weston vocabulary. Ripeness is

all, hence "mature", or "vintage", are preferred.

She twirled up to our appointment on Hampstead high street in a fluffy, flounced, skirt and high heels. "The *dassant après lunch*," I asked. "No, my sweet - class, at North London Polytechnic. Today we have a seminar on mind-mapping and the age heresy. Know what mind-mapping is?"

"I can guess."

"OK. Know what the age heresy is?"

"You could briefly expound on it."

"It's that crap about losing brain cells as you get older. You don't. The third age is not a second childhood. You accumulate experience. You just need to map out the various compartments in your mind to put it all in order. The other week I had Anton Mismann come teach us, especially the guys, how to cook. Next

week we'll study good health-keeping."

We took our table at the Café des Arts. Bernice ordered salad for her main course. "I'm a cheap date, huh? But let me just taste a glass of wine. Hmm, good. Did you know that Australia's best red wine, Penfold's Grange, was made by a man of 81? Experience, see. There are some smart people out there. I interviewed a guy of 101 for my book that's out next year, and asked him what was the secret of his good health and longevity. He said he couldn't give the answer because he was still negotiating with two breakfast cereal companies about it. Isn't that marvellous that empowerment, that sense of control, at 101?"

The imminent book is called "How To Die Young As Late As Possible". It asked how we were going to cope with all these

mature cheesers retired from work but raring to pull their weight.

"There are going to be problems. Big problems. None of us expected to live so long. Most of us haven't put away enough. We didn't count on so many rainy days. I seriously think that if we don't act now to get it right, there will be inter-generational conflict in the next century."

So how do we avoid that?

"Simple. Use us. We have dreams as well as memories. Age Power says we have a future. We've made it and we can carry on making it. We'll study again. Start new businesses, new careers. We'll harness computers and we'll read books to children. We shall not be rubbish. Was it Ingmar Bergman who made every film as if it was his last? That's cute, but it's not how I want to go on in life. I like those words of Bernard Shaw 'life is

not a brief candle to me, but a sort of splendid torch."

She leaned over and took a fork full of my lamb. It was hard to believe she once weighed 14 stone before the launch of her slimming phenomenon. Age Power is now building up, throughout the country, the same system of local support groups as Weight Watchers.

"And we must get this pension business sorted out," continued Weston. "Britain has cheated its citizens, forcing them into inadequate personal pensions. I don't trust those bastards in the City. The Englishman's word is his bond? Who are they kidding?"

Among the things she has put away for rainy days is a golden Rolls-Royce, garaged in Jerusalem. I put it to her that Judaism fostered more respect for elders.

"Sure. The vintage have an aura amongst Jews. And in Italy, and Spain, and Middle Europe.

Whereas Britain has never liked the old. But already they are politically mobilised in the States; 37m in the Association of Retired People. Clinton needs their vote."

It was a snappy lunch. She had her class at two. As someone who now gets cloudy and morose whenever his birthday comes round, I had to ask this dynamic girl a final question: didn't anything about ageing ever get her down?

"I asked the same question of Miriam Rothschild. She's 88. Know what she said? 'I'd give anything for a new rectum.' And that was it. Otherwise she's wiser than ever. So what is there to feel a victim about?"

As she said this, she stood up and did a quick spin in her razzle-dazzle skirt. No doubt about it, Age Power is on its way to a church hall or community centre near you.

WEEKEND INVESTOR

Bids/Deals

Steelmakers battle it out

As a heavy month for takeovers draws to a close, the most acrimonious battle is over Triplex's 200p-a-share bid for William Cook, which values the Sheffield steel castings group at £87.8m, writes Paul Adams.

Cook has accused Triplex, another Midlands foundry group, of undermining its forecast that pre-tax profits would jump 26 per cent this year to £10.7m (£8.4m).

Natwest Markets and KPMG, William Cook's advisers and accountants,

have defended the forecast as sound.

William Cook says Triplex is trying to distract shareholders with spurious claims out of desperation to press home its bid. But Triplex says its cash and share offer exceeds the value of the company.

□ Newman Tonks, the architectural hardware supplier facing a £197.5m hostile bid from FKI, stands to gain £12m from the sale of its minority stake in Tesa, the Spanish security card maker, to

Williams Holdings, the security and fire products specialist.

FKI, the acquisitive electrical engineering group, is making a paper offer worth 150p a share, with a 140p cash alternative, and at least two big institutions have accepted.

□ Clyde Petroleum, the UK oil independent, has accused Gulf Canada, an international group, of trying to grab the company on the cheap with its £423m hostile bid.

Clyde's management says

it should be valued as a multiple of cash flow not of net assets as Gulf had done and accused Gulf of using selective statistics to justify its 105p per share offer.

□ Two bidders are pursuing Lloyds Chemist. Gehe of Germany has announced that it has accepted from 0.16 per cent of shareholders for its cash offer of 500p a share.

There is a paper offer from UK rival, UniChem. Both have until January 17 to improve their offers.

Current takeover bids and mergers

Company	Value of bid	Value of shares	Value of cash	Value of debt	Value of other
APT	17	154	154	154	154
Ashtons	177	176	191	83	83
Bentley	15	150	100	50	50
Cherwell	300	280	280	50	50
Chester Water	170	155	154	20	20
Clyde Petroleum	100	118	874	431	431
Cook (Wm)	300	357	340	50	50
East Midlands E	67	60	611	1,230	1,230
Ensign Group	187	158	120	21	21
JM Group	150	140	100	195	195
King & Sherson	180	180	180	47	47
Lloyds Chemist	400	500	500	500	500
Lloyds Chemist	500	500	500	500	500
London Electricity	700	820	800	1,200	1,200
My Korda Town	150	180	180	47	47
Newman Tonks	150	154	120	193	193
Northern Electric	600	611	620	60	60
RPT Management	114	112	114	8	8
Stacy & Fisher	21	20	12	3	3
UK Estates	20	20	22	16	16

Directors' share dealings

Transactions in own companies December 2-19 1996

Company	Sector	Shares	Value	No of directors
SALES				
Bentley	RetG	12,000	15	1
British Biotech	Pharm	120,000	247	1
British Polythene	PP&P	145,425	1018	1
Chiroscience	Pharm	320,000	1018	1
EPT Group	Other	2,882,168	4085	1
Eurotherm	Eleo	5,000	27	1
Freemantle Hotel	LAH	125,000	115	1
Henderson Group	Other	5,000	57	1
Jarvis	BCon	735,000	870	1
Kewell Systems	SSer	200,000	1040	1
London Merchant Sec	Prop	18,740	19	1
Peasdon	Media	40,750	290	1
Pizza Express	Brew	150,000	790	1
Ryl Bank of So	Bank	35,811	199	1
Southern Newspaper	Media	2,900	17	1
Staffware Plc	SSer	15,000	29	2
Stagecoach Hodge	Tran	804,168	8289	3
Wetherspoon (JD)	Brew	35,000	413	1
BAA	Tran	91,160	438	1
Clyde Petroleum	Oil	72,324	58	3
Croda Int	Chem	4,687	16	1
Eurocom Pbn	Media	4,405	81	1
Hogg Robinson	SSer	261,228	758	1
PizzaExpress	Brew	1,010,000	5090	3
Powerscreen Int	Eng	480,000	2822	2
Bevern Trent	Wtr	58,350	389	1
PURCHASES				
Abertan Trust	Other	12,250	11	2
Angley Mining	Edn	400,000	20	1
Antony	EngV	100,000	90	1
Aradent Int	LAH	25,000	11	1
BBS Design Grp	Media	50,000	12	1

Companies must notify the Stock Exchange within five working days of a share transaction by a director. This list contains all transactions (bought and sold), including transfers of options (if 100% subsequently sold, with a value over £10,000). Information released by the Stock Exchange. Shares traded are ordinary unless otherwise stated. £ = Cumulative convertible preference shares. Source: The Inside Track, Edinburgh, 0131-228 7070

Last week's interim results

Company	Sector	Year	Profit	Profit	Profit
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)

Last week's preliminary results

Company	Sector	Year	Profit	Profit	Profit
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)

Results due next week

Company	Sector	Year	Profit	Profit	Profit
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)
Abertan Trust	Other	1995	13.35	(12.85)	(-)

Dividends are shown net of tax and are adjusted for any intervening share issues. Reports and accounts are not normally available until about six weeks after the board meeting to approve preliminary results. * at quarter, * 2nd quarter, * 3rd quarter. This list is not necessarily comprehensive since companies are no longer obliged to notify the Stock Exchange of imminent announcements.

In the Pink

Back to boom and bust - with Blair

That is the prospect Brian Reading sees under a Labour government as it comes to grips with Emu

No more than five months from now we shall know who has won the UK general election. In 12 months, we shall know if Britain has decided to opt out of European monetary union (Emu) when it starts in 1999.

A Labour victory in the election looks virtually certain. Most Labour MPs will want to enter Emu. So will many Conservatives and all Liberal Democrats. There will be a hefty House of Commons majority in favour. But will Labour leader Tony Blair take the plunge? Probably not.

First, there must be an act of parliament, which would occupy much of Labour's first parliamentary session. Then there must be a referendum. So Blair will probably opt out of membership in 1999 and hope to join later - probably in 2002, when the euro is scheduled to replace national currencies. This would allow him time to persuade reluctant voters to say "yes" in the referendum.

They will not be asked to vote on the alternative: staying out of Emu and, ultimately, being forced out of the single market and the EU. But they will be told this is the alternative and many will be persuaded - wrongly, I believe - that it would be the worst of two evils. So, there is a good chance a referendum will favour entry.

This, however, poses a big question: what will happen to sterling in the meantime? It might have to be repegged to the D-mark in the European exchange rate mechanism (ERM), as in 1990-92, or it could again shadow the mark infor-

mally, as in 1987-88. Both were salutary experiences. Britain's economic cycle is out of step with continental Europe's. When Nigel Lawson, as chancellor, pegged the pound unofficially to the D-mark, the UK was booming. Real GDP grew by 4.8 per cent in 1987 and 5 per cent in 1988. The German economy was stagnant in 1987, growing by only 1.5 per cent. So the Bundesbank pursued an easy money policy.

The pound was pegged at an under-valued rate. To stop it rising, Lawson cop-

ied the Bundesbank's easy money. UK interest rates were held down, stoking a bubble boom. In 1990-92, the opposite happened. The UK was in recession and Germany was booming. German monetary policy was austere. Sterling joined the ERM at an over-valued rate. Norman Lamont, as chancellor, was forced to copy the Bundesbank's monetary austerity to prevent the pound from falling.

This caused Britain to record its worst recession since the second world war. Real GDP rose only 0.5 per cent in 1990 and fell 2.3 per cent in 1991. German GDP rose 5.1 per cent and 3.7 per cent respectively.

Both experiences were highly destabilising because of the conflict between domestic and external policy requirements. Will the

same happen again? Britain's economy is set to boom in 1997, with up to 4 per cent GDP growth. Germany will be lucky to achieve 2.5 per cent growth, and will do so only if the D-mark remains weak and real long-term interest rates fall.

Fiscal policy throughout the Continent is being tightened to meet the budget criteria laid down in the Maastricht treaty. Unless offset by monetary ease, though, continued recession will put this beyond reach. So it might seem that, if Britain

Both experiences were highly destabilising because of the conflict between domestic and external policy requirements. Will the same happen again?

With the economy booming, though, most of the deficit will be structural. At this stage, it should be 1 to 2 per cent lower. But to suppose that Labour will raise taxes heavily or cut spending in its first year is implausible. So unless it puts its European aspirations on hold, Gordon Brown will probably mismanage the economy as badly as Lawson did before him.

The message for markets is that a pro-European Labour administration promises the possibility of another bonanza followed by bust. Fortunes could be made from strong sterling and a glits convergence play.

Here's to a prosperous new year. **Brian Reading is a director of Lombard Street Research.**

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Wall Street

The bulls gallop on aimlessly

John Authers on how the Dow and the Nasdaq took different routes upwards

The bulls had two runs during 1996, and were still galloping, albeit rather aimlessly, as the year came to a close. Those two runs sandwiched a frightening correction in July, but the net result was that all the most widely consulted indicators were much stronger at the end of the year than at the beginning.

By the end of last week, the last full week of trading in 1996, the Dow Jones Industrial Average, the venerable but still closely watched index of 30 blue-chip stocks, was up 26.7 per cent, and the younger more vigorous Nasdaq composite index up 22.5 per cent.

But it is misleading to look at the year as two snapshots in January and December. As seen the Dow and the Nasdaq took very different routes on their way up. While technology stocks powered the market forward until July, with blue-chips lagging, it was the Dow constituents, in the main, which led the market away from the correction.

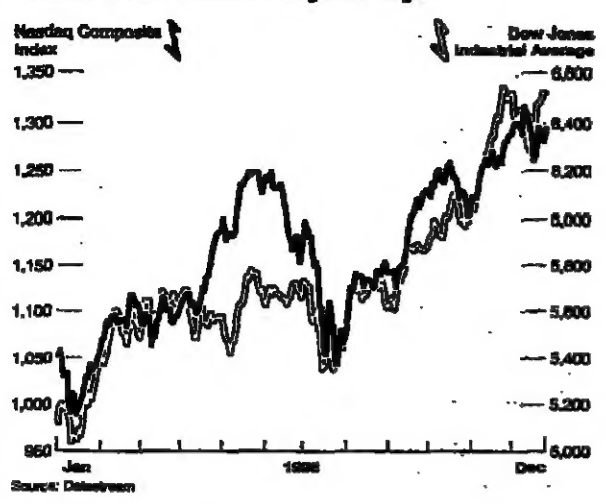
First came the technology-powered bull run, which took the S & P 500, the broadest indicator of market strength, up 9.3 per cent by mid-May. The Nasdaq fared much better, gaining 28.3 per cent by its high in the first week of June from its low point in January.

This period now seems to be typified by the mania which seemed to surround Internet stocks. Yahoo!, producer of a systems for searching the Internet, briefly registered a market capitalisation of \$1.1bn, after its April flotation, despite revenues since its foundation of only \$3m. The Dow meanwhile was making more steady progress, gaining 10.6 per cent by its high at the beginning of July.

Then the wheels came off, with the Nasdaq dropping 18.5 per cent in six weeks. Traders were worried by evidence that the economy was overheating. When the indices bottomed out at the end of July, the Dow was 6.6 per cent off its high, and the S & P off 7.66 per cent.

From there came a nervy recovery, which has yet to be seriously interrupted. This was led by the Dow, which registered a new high as early as August 22, but

Same end: different journeys



the Nasdaq, which took until October to register a new high, eventually participated to the full.

Eyes were still turned anxiously towards Alan Greenspan, chairman of the Federal Reserve: would he raise interest rates to stop economic growth leading to higher prices? In the event, most indicators pointed to a slow-down in growth later in the year, and the Fed moved interest rates just once, cutting from 5.25 to 5 per cent at the end of January. But the market lived in fear of a tightening, with every statistic suggesting a robust economy triggering panic.

The Fed's decision to leave rates unchanged in September gave the market heart. Then the election result in November, which delivered the double whammy of a president not tied to an unrealistic tax cut, and a Congress ideologically wedded to budget cuts, was greeted with glee. The Dow, which had only just passed the 6000 milestone, swept up to 6500 in less than a month. By its high, it was 22.5 per cent up from its July trough; the Nasdaq was up 28.3 per cent up.

In December, the atmosphere has been more edgy, with all markets marked by greater volatility. Blue chips have left their highs.

Mergers and acquisitions helped to keep the market bubbling. Consolidation bid defence and aerospace, never more dramatically than when Boeing and McDonnell Douglas finally agreed to merge earlier this month.

Long-distance telecommu-

nications also looks profoundly different, with the year seeing the dismantling of AT & T, now that Lucent Technologies has been spun off, while MCI, its biggest competitor, agreed to be bought by British Telecom.

The greatest direct beneficiaries of all the activity were the mutual fund companies, which attracted record new cash from small investors.

The year's strongest performing sector was semi-conductors. Last week, the Standard & Poor's sector was up 89.8 per cent for the year, led by Intel, which has become a mighty new stock market powerhouse. It developed a pleasant habit of needing to revise positive sales forecasts upwards, which did its stock no harm.

Second to silicon chips came computer software including most Internet stocks, up 65.5 per cent. Financial companies, aided by low interest rates and the recent huge spasm of cost-cutting mergers, were the other notable strong performers, with consumer finance companies up 55.6 per cent, and money centre banks up 43.7 per cent.

Down sectors included telecommunications, broadcasters, iron and steel, and worst of all, truckers, down 21.9 per cent.

Dow Jones Ind Average	
Monday	6489.02 + 4.82
Tuesday	6522.55 + 33.53
Wednesday	
Thursday	6548.88 + 26.33
Friday	

London

Sharpening up the old saws

Philip Coggan completes a year of two halves and looks at the stark differences

It would be nice to find some original phrase to describe the past year in the UK stock market. But sometimes one has to grab the bull by the horns and go for the cliché; it was a year of two halves.

The graph below is just one illustration of the tendency. It shows the performance of the FTSE Small-Cap index relative to the All-Share. In the first six months of the year, small companies were racing away, pipping their larger brethren by 11 per cent at one point. But in the second half, they lost all the ground they had gained.

A similar picture can be seen if you examine the performance of the All-Share or the FTSE 250 index relative to the FTSE 100. The smart money this year started off by buying smaller stocks and then from June switched to the leaders.

Footsie's absolute, as well as relative, performance shows the same Manichean characteristics. By mid July, the leading index had slipped to 3,632.3, below its end-1995 level of 3,689.3. It then forged ahead and even managed to set an all-time intra-day high during yesterday's half-session.

Ironically enough, at the start of the year most people were expecting Footsie to have a good first half and a poor second as the election loomed. So often, what is most predicted fails to occur.

Footsie has risen by 10.9 per cent over the year, which means that, with a dividend yield of just under

4 per cent, investors will have earned a total return of almost 15 per cent. That is an extremely healthy performance, especially when you consider that inflation is running at only 3.3 per cent.

The key to the year has been liquidity. For a start, there is plenty of money sloshing around the UK market. Institutional investors were cautious throughout the early months of the year and surveys showed them selling UK equities; meanwhile, companies were returning cash to investors

The smart money started by buying smaller stocks and then switched to the leaders

in the form of dividends (regular and special), buy-backs and takeovers.

Liquidity has also been healthy in the rest of the world. The US stock market wobbled in July, when it was feared that the Federal Reserve might be forced to raise interest rates. But signs of an economic slowdown emerged and the Fed was able to leave rates unchanged; Wall Street duly surged to all-time highs.

In Europe, central banks were cutting rates in an attempt to revive continen-

tal economies. Growth was sluggish in many countries, as governments attempted to slash fiscal deficits in order to meet the criteria for European monetary union.

And in Japan, interest rates and bond yields stayed low as the economy remained in the doldrums; Japanese investors thus had every incentive to look for higher returns overseas.

Falling interest rates are usually good news for stock markets because corporate borrowing costs are cut and the relative attractions of holding cash are reduced.

Ironically, the UK is about the only country to break the trend. Kenneth Clarke, the chancellor, produced two quarters of a percentage point rate cuts in March and June. But, by the end of October, he was forced to bow to pressure from Eddie George, the governor of the Bank of England, and increase rates by a quarter point.

For a time, that seemed to have capped the UK market's progress, as Footsie slipped back from the high of 4,073.1 it recorded on October 21. But the traditional end of year rally has come to the index's rescue in the last few days.

Overall, conditions were favourable. Interest rates were low in nominal terms, economic growth was steady, corporate earnings and dividends were rising, and inflation, while edging up, was subdued.

The switchback performance of smaller companies is harder to explain. They had underperformed in 1995 so their strong run in the first half may have involved



All in the game over the moon and sick as a plotitude

an element of "catch-up". But the second half contained some trends which should have been favourable for the relative performance of smaller companies.

Domestic economic growth appeared to be accelerating, and smaller groups tend to be more focused on the UK.

Also, sterling rallied, which would normally hit the larger groups, which tend to export more and have overseas operations.

It may be that smaller companies are struggling to cope with an economy which shows modest growth and low inflation. In such circumstances, sales growth is in single digits, and above-average profits growth is dependent on managements' ability to cut costs. Bigger companies may have more expert managers, or may simply have more fat to cut.

Alternatively, the answer may simply be that, when the market started to rally in late July, those institutions with high cash holdings had to move quickly to increase their equity weightings, and logically chose the more liquid Footsie stocks.

How did the analysts who try to read the runes of the market, fare in 1996? In early January, the FT ran through the brokers' forecasts for Footsie's end-year level. This is a fairly arbitrary target - picking the level of one index one year in advance is a bit of a lottery - but any analyst who gets within a

couple of per cent or so will undoubtedly feel pleased.

Step forward Ian Harnett, once of SGST, now of NatWest, who started the year with a 4,000-4,250 range. Some might complain that such a wide range is so easy target to hit but Harnett was still the most bullish.

Almost as pleased must be Richard Jeffrey of Charterhouse and Mark Tinker, then of James Capel, now at UBS, who both predicted that Footsie would end the year at 4,000. Those forecasts were close enough to satisfy any reasonable client.

Most other analysts opted for the 3,700-3,900 range, predictions which looked set to come true by the middle of the year. As the market rallied, some were forced to move up their forecasts.

Finally, what of the O'Higgins system, often mentioned in this column as a stock-picking method? This takes the 10 highest-yielding shares in the FT30 and, of those, picks the five with the lowest nominal share prices.

The system has not worked well recently and a portfolio picked on March 28, which contained market leaders such as BTR and Hanson, has performed abysmally. The same exercise in June has at least managed a small gain but, thanks again to Hanson, is trailing behind the All-Share.

Believers in the system (and Hanson shareholders) will be hoping for better times in 1997.

Barry Riley

Old themes for a new year

Globalisation, not irrationality, is the underlying factor

In its dying days, the old year has been giving a reminder of the enduring strength of the forces that have driven the securities markets for a long time now. We can note the extreme strength and increasing overvaluation of Wall Street, but also the obstinate - and even alarming - weakness of Japanese equities.

A common strategic mistake about Wall Street by global fund managers - especially those based in London - has been to assume that departures from fair valuation will be swiftly corrected through a strong natural tendency for reversion to the mean.

But we need a forward-looking analysis of global capital flows rather than a backward-looking scale of standard valuation benchmarks. It is too easy to say that Wall Street is heading for a shakeout, but when? Market timing is a very risky game: the Horsemen of the Apocalypse may be sacked long before Armageddon finally arrives.

So far, the 1990s is turning out to be the decade of the central banks. Manipulation of currencies runs to the colossal scale of hundreds of billions of dollars. There is a vast expansion of central bank reserves.

In the longer term, if they

can be sustained, these policies will stoke up growth and inflation. A new commodities boom is looming, and we may see the beginnings of it in 1997. In the short run, though, the main effect is to generate in certain financial asset markets what the chairman of the US Federal Reserve Board Alan Greenspan earlier this month described as "irrational exuberance". But that the increasingly desperate efforts of the Bank of Japan to prevent a financial meltdown in Tokyo should blow up a bubble far away on Wall Street reflects not irrationality but the impact of globalisation.

The disaster scenario is easy enough to spell out. A widening US trade gap could prompt pressure by the American government on the Japanese, Chinese and other far eastern exporting states to allow their currencies to rise against the dollar. In any case, the central banks of these countries may eventually choke on the dollar bonds they are piling up, which pose a huge currency risk to them. If they stop buying dollar securities, yields on US Treasury bonds will rise and the Wall Street bonanza will finally be over.

I am not sure that we are

very close to the end of this game yet. I do expect, however, that the dollar will become generally weaker in 1997. That will encourage US investors to look overseas. Wall Street's bull market should therefore cool and spill over into some of the emerging markets which have (aside from

It is too easy to say that Wall Street is heading for a shakeout, but when?

Hong Kong and one or two Latin American markets) often had an unexciting time in 1996. Continental Europe could again do well.

The real downside risk would arise from a "growth shock". Consensus economists are forecasting a continued benignly steady rate of growth in 1997 with the OECD last week, for instance, indicating industrialised world expansion of 2.4 per cent, just as expected for 1996.

But if the excess global liquidity should feed through into consumption there would be immediate concerns about rising interest rates and bond

yields. It would not take much to trigger a rise in dollar interest rates, though in depressed Continental Europe D-mark and French franc rates may not quite have troubled yet. The big decision here, however, would be an upwards move in Japanese short-term rates from their 15-month peg at 0.5 per cent. It is quite likely to happen later in 1997, but it does not look imminent.

A growth shock would certainly affect the UK. All the latest statistics - for retail spending, unemployment, house prices and money supply - show that the planned pre-election boom is under way. The Treasury forecasts economic growth of 3.5 per cent, and subjectively it feels like more, although the overall expansion rate is being held down by the sterling-related weakness of manufacturing which, typically, is the sacrificial victim of electoral priorities.

With ministers busy boasting about house price rises, general inflation will stay above the government's 2.5 per cent target in 1997 although sterling's strength may allow the underlying rate to drift down from the present 3.3 per cent in the early part of the year. A more worrying acceleration of inflation seems almost inevitable in 1998 and the prospect will make the Bank

of England increasingly agitated. One small interest rate rise is likely before the election, and two or three more afterwards.

Whether the impending overdose of the feelgood factor will come in time to save the Conservative government still seems doubtful. But the probability of a swing to Labour has already been partly priced into UK equities, which have underperformed stocks in both the US and the rest of Europe in 1996.

The big problem remains uncertainty about dividends, which would be threatened by company tax changes from a Labour chancellor of the exchequer. Meanwhile the valuation basis of the London stock market remains full, although by no means as excessive as that of Wall Street. On balance, share prices could still make progress if underlying company earnings continue to rise but this is a mature market and it will be a year for stockpicks rather than index-tracker.

Finally, on a bullish note, there is the outside chance of a move by Labour to embrace European economic and monetary union. That would bring a sharp rise in gilt-edged prices and send shares up too. But it is a long shot.

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*Example: Managed Offer to Sell, 5000 shares allocated in Guinness Flight Hong Kong Fund (Guinness) Limited, 5000 shares allocated in Guinness Flight China Fund (Guinness) Limited, 5000 shares allocated in Guinness Flight Hong Kong Fund (Guinness) Limited, 5000 shares allocated in Guinness Flight China Fund (Guinness) Limited. The value of the underlying securities and the income from them and changes in interest and exchange rates may affect the value of the fund. The value of the fund may fall as well as rise and is not guaranteed. Investors should note that the value of the fund may vary significantly from the value of the underlying securities. For your protection, telephone calls may be recorded. Issued by Guinness Flight Global Asset Management Limited, regulated by the Financial Services Authority.

Offshore managed funds and UK managed funds are listed in Section One